

Current History

A WORLD AFFAIRS MONTHLY

JANUARY, 1977

THE MIDDLE EAST, 1977

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Current History

JANUARY, 1977

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In this issue, seven specialists evaluate the changing situation in the Middle East. Most tragic is the devastation in Lebanon after two years of a civil war that has altered many power relationships in the area. As our introductory article points out: "At the end of 1976, Lebanon, once a proud and beautiful land, was little more than a battered carcass, savaged by right and left and tormented by the Syrian army."

Tragedy in Lebanon

BY NORMAN F. HOWARD

Analyst, United States Department of Commerce

LEBANON'S civil strife erupted into full-scale warfare late in 1975 and engulfed the entire country in 1976.* Palestinian involvement, Syrian military intervention and the participation of other Arab states transformed Lebanon's factional struggle into a kind of Arab civil war that had far-reaching implications for regional peace and international détente. In part because of the conflict, Syrian-Egyptian relations reached a new low, while Arab-Israeli peace negotiations were stalled indefinitely.

The main effects of the war were seen in Lebanon herself. In a two-year period, the country fell apart politically and socially. Virtually every governing institution collapsed, including the Parliament, the civil service, the army and police forces and the various technical organizations that protect civilized life. By the summer of 1976, Beirut, once a thriving cosmopolitan city, had no running water, no electric power, and little food. Life for many had become, in Hobbesian fashion, nasty, brutish, and short.

After almost two years of war, Lebanon's economy

was a shambles, and the physical destruction was incalculable. In early 1976, the government reported that from 15 percent to 20 percent of the homes in Beirut and its suburbs had been damaged or destroyed; at least half the factories and business establishments in and near the capital had been damaged or looted. Moreover, 10,000 to 12,000 persons had been reported killed and some 30,000 to 40,000 wounded; 180,000 Lebanese were said to have been moved from their homes.¹ By the close of 1976, more than 25,000 had died, and the economic losses had escalated beyond belief. The Minister of Economy indicated in February, 1976, that the government was seeking \$1.5 billion in foreign reconstruction loans; later in the year it was reported that President Elias Sarkis would ask for \$4 billion in foreign aid.²

Once keystones of the country's prosperity, Lebanon's 74 accredited banks had been heavily damaged and plundered. As of February, 1976, an estimated \$320 million had been withdrawn by Lebanese fleeing the country, and the figure grew as the year progressed. The other mainstays of the economy, commerce, tourism and, to a lesser extent, industry, all collapsed. In mid-summer, over 90 percent of the labor force, excluding farm labor, was estimated to be out of work.³ As urban life became intolerable, the foreign business community departed, relocating elsewhere in the Middle East and in Europe.

Some reports placed the number of Lebanese leaving the country at 750,000, well over one-fourth of the population, with hundreds of thousands taking up residence in Syria.⁴ Many of Lebanon's intellectual and financial elite moved to Paris, and many Beirut

* The views expressed in this article are the author's own and do not necessarily reflect those of the United States Department of Commerce.

¹ *The Economist* (London), February 21, 1976.

² *Middle East Economic Digest*, February 20, August 20, 1976.

³ *The Economist*, July 31, 1976.

⁴ President Hafiz Assad of Syria said that almost one million persons fled from Lebanon to Syria during the April, 1975-July, 1976, period (*The New York Times*, August 14, 1976). For other estimates of population loss, see *The Washington Post*, January 1, February 1, and June 4, 1976; *Middle East Economic Digest*, February 6, 1976; and *The Economist*, July 3 and August 14, 1976.

residents simply returned to their ancestral villages. This massive hemorrhaging of population would hinder efforts at post-civil war reconstruction.

Curiously enough, through all this turmoil, the government maintained a sizable treasury, with the Lebanese pound remaining relatively stable until the late spring of 1976. As late as August, 1976, the country held slightly more than \$3.6 billion in gold and foreign exchange reserves.⁵

THE POLITICS OF WAR

The Lebanese political landscape is made up of three major factions—Christians, Muslims, and Palestinians—each divided into numerous groups, each characterized by varying degrees of unity and friendship. Although the war has been described as a conflict between Christian and Muslim, right and left, Lebanese and Palestinian, it is in reality a multi-tiered struggle involving internal and external factors. The complex nature of Lebanese politics was graphically illustrated by Edouard Saab, a Beirut newspaper editor, in a statement shortly before his assassination: “. . . here we are with 3 armies, 2 police forces, 22 militias, 42 parties, 9 Palestinian organizations, 4 radio stations and 2 television stations.”⁶

Led by Pierre Gemayel's Phalange party, for decades the strongest, most cohesive political group in the country, the Christian right is determined to rid Lebanon of the Palestinian guerrillas. The Maronite Catholics, in particular, are profoundly resentful of the Palestinians, whom they blame for Israel's massive retaliation against Lebanon and for the country's current political difficulties. In late 1975, for example, the Christian Maronite League denounced Lebanon's “de facto occupation” by the Palestinians.⁷ Gemayel and other Christian leaders have called for the redistribution of the Palestinians among the less populous Arab countries.

Christian bitterness was reflected in a sign posted during the battle for the Tal Zaatar refugee camp: “It is the duty of every [Christian] Lebanese to kill a Palestinian.”⁸ Like many other Christian politicians, Gemayel has refused to admit any responsibility for the conditions that led to civil war, which he sees as entirely the fault of the “destructive international left.”⁹ In his farewell address on September 19, 1976, President Suleiman Franjeh placed total blame for the war on the Palestinians.

Despite their seeming cohesiveness, the Christian forces have been far from unified, and only some

members of the Christian community actually participated in the political and military struggle. The Armenians, for instance, remained generally uninvolved and unmolested, although the rightists among them maintain their own small militia. President Franjeh himself apparently had no strong following beyond the members of his own clan. Former President Camille Chamoun, the vitriolic leader of the National Liberal party (NLP) and chief of the second largest militia in the Christian coalition, is more extreme than the Phalange and even less inclined to compromise with the left. Chamoun's and Gemayel's troops clashed on several occasions in Jounieh, the de facto Christian capital north of Beirut. In fighting there late in July, 1976, the Phalange destroyed the NLP's headquarters, and further attacks took place in September.

Factional outbreaks in Byblos between the Phalange and Raymond Edde's National Bloc party, another Maronite group, also occurred in May, killing an estimated 15 persons. Shortly afterward, Edde himself was wounded in an assassination attempt attributed to the Phalange or to pro-Franjeh gunmen. Edde, a longtime enemy of Franjeh's had earlier denounced the Christian leadership for involving the country in a “hopeless” civil war. He attacked “the criminal behavior of certain Christian leaders,” charging Franjeh and others with ruining Lebanon in an effort to maintain Christian privileges by force.¹⁰ In July, 1976, Edde established the National Union Front, composed of moderate Christian and Muslim politicians.

The “left-wing,” predominantly Muslim forces are far less cohesive than the rightists and, politically, they remain relatively weak. The alliance is led by Kamal Jumblatt, founder of Lebanon's Progressive Socialist party and head of the Druze community, a dissident Islamic sect. His followers include the Lebanese Communist party; the Independent Nasserite Movement, an extremist group headed by Ibrahim Kolehlat; the Lebanese Arab Army (LAA), composed of large numbers of Muslims who deserted from the regular Lebanese army; and a few maverick Christians. The left proposes various political changes relating to a more equitable distribution of power between Muslims and Christians and a foreign policy more in tune with Arab nationalist goals. Leftist social reformers point to the need for improvements in a national educational system and better housing and medical care for the poor. Jumblatt himself wants to revise the constitution and establish a secular political order in Lebanon, presumably with some “socialist” content. However, the enigmatic leader appears to have no clearly defined program. He declared late in 1975, for instance, that: “This is a war of attrition. . . . We will begin again with equality of poverty, which may be a good thing.”¹¹

⁵ *Middle East Economic Digest*, August 20, 1976.

⁶ *The Washington Post*, March 15, 1976.

⁷ *Ibid.*, October 16, 1975.

⁸ *Ibid.*, July 3, 1976.

⁹ *Ibid.*, April 23, 1976.

¹⁰ *Ibid.*, January 25, 1976.

¹¹ *Ibid.*, December 12, 1975.

The LAA's young chief, Lieutenant Ahmad Khatib, defines the civil war as a class struggle between rich and poor, yet one of his main concerns is to end the religious discrimination in the regular army.

The Palestinians, themselves increasingly disunited, constitute the mainstay of the leftist forces, comprising some four-fifths of the military strength of the leftists. Reluctantly drawn into the war late in 1975, the basic interest of the Palestinians is not to determine the shape of Lebanese politics, but to maintain their freedom of action against Israel and to protect their military position in Lebanon. The "moderates" among them would certainly prefer to concentrate their energies on Israel, and they realize that their involvement in the conflict has benefited only the Israeli enemy. Mohammed Nashashibi, a member of the executive council of the Palestine Liberation Organization (PLO), noted, for example, that it was the Lebanese left that pushed the Palestinians into a "more stubborn" attitude in Lebanon, rather than the other way around.¹² In an interesting late 1975 memorandum, the Palestinian leadership took notice of Christian fears, pledging to refuse permanent residence in Lebanon, renouncing the use of force to settle differences with the Lebanese, and promising to honor Lebanese sovereignty.¹³

Despite PLO efforts to stay out of the conflict, the PLO leadership under Yasir Arafat reasoned, not illogically, that if the Christians defeated the indigenous left, the Palestinians would be their next target. Not surprisingly, therefore, by late 1975 the radical Popular Front for the Liberation of Palestine (PFLP) had become deeply implicated in the war on the leftist side. Arafat's Fatah joined the struggle openly in 1976, with disastrous results both for the Palestinians and for Lebanon. In March, 1976, for instance, Arafat reported that 16,000 Palestinians had been killed and 40,000 wounded.¹⁴ Rivalries among various Palestinian groups also intensified. Heavy fighting between the pro-Syrian Saiqa ("Thunder") and the PFLP erupted in Beirut in April, and further clashes occurred between Saiqa and Fatah in Sidon the following month. Many Palestinians apparently lost sight of their central goal: Salah Khalaf, Fatah's second-in-command, for instance, declared that the road to Palestine (Israel) ran through Jounieh, the

Christian center north of Beirut. By summer, 1976, the PLO had suffered severe blows to its political prestige, and its forces were on the verge of total defeat at the hands of Syria.

THE TORTUOUS PATH TO PEACE

The year 1976 witnessed the almost complete disintegration of Lebanese political institutions as well as some significant, if haphazard, efforts to restore peace. In January, Premier Rashid Karami, still attempting to bring peace through moral suasion, resigned in protest against the growing movement toward partition, declaring that "the government has no more effectiveness. All the doors to peace have been slammed."¹⁵ Several days later Karami withdrew his resignation, but observers cynically noted the futility of his action since he no longer possessed any real power. The army had broken apart when Lieutenant Khatib deserted and established his Lebanese Arab Army. Antoine Barakat, a Christian colonel, took with him a pro-Franjeh faction, while Brigadier General Abdel Aziz Ahdab, a Lebanese nationalist and Muslim conservative, headed a "neutral" group desirous of reunifying the military forces.¹⁶

On January 22, a cease-fire was announced, and the Christians, nearing defeat, were apparently forced to accept a Syrian-sponsored peace plan and reform package. The plan provided for a 50-50 split between Muslims and Christians in Parliament and in the civil service, the establishment of a supreme court, and an economic and social council. In addition, the Prime Minister was to be elected by Parliament rather than being appointed by the President, a proposal designed to make the Muslim Premier more independent of the Christian Chief of State. Naturalization laws were also to be revised to permit Muslims to obtain citizenship more easily, while the status of Palestinians in Lebanon was to be redefined with a view toward removing them from Lebanese politics. Finally, displaced persons were to be allowed to return to their homes. The left, hoping for the abolition of the confessional system, thought the plan too weak, while the right denounced it as a violation of the 1943 national pact and an infringement of Lebanese/Christian sovereignty. As Albert Moukneiber, a Christian parliamentarian, declared:

The Palestinians and Syrians have now dishonored Lebanon. . . . I find no legal or constitutional motivation for allowing Palestinian troops the right to supervise security and exercise authority on Lebanese soil.¹⁷

President Franjeh made it clear that the reforms could become operable only after the Palestinians had in effect disarmed and adhered to the 1969 Cairo agreement regulating their activities in Lebanon.

Within six weeks, the peace plan failed. The traditional politicians had been given enough time to

¹² *Ibid.*, November 30, 1975. Nashashibi characterizes the leftist goal as a "rationalized capitalist state." He states that "Lebanon cannot become a confrontation state [against Israel] for another 20 years," since revolution is virtually impossible in Lebanon.

¹³ *The Washington Post*, October 17, 1975.

¹⁴ *Middle East Economic Digest*, March 19, 1976. Although the figures are no doubt exaggerated, they probably indicate an order of magnitude. See *The New York Times*, August 18, 1976.

¹⁵ *The Washington Post*, January 19, 1976.

¹⁶ *MERIP Reports* (Washington, D.C.), no. 47.

¹⁷ *The Washington Post*, January 26, 1976.

evade their responsibilities, unable to agree on a new Cabinet to implement the reforms. On March 11, the "army," in the person of Brigadier Ahdab, called for Franjieh's (and Karami's) resignation within 24 hours. Ahdab's coup, which he termed a "corrective movement" to halt the war, was prompted by the disintegration of the army and the continuing Muslim desertions to Khatib's group. Ahdab was supported by ranking officers, both Muslim and Christian, as well as by some Maronites and Druzes tired of the war. Curiously enough, the Phalange also initially supported Ahdab. Franjieh refused to resign, however, a spokesman stating with irony that such an act "would open the way to Lebanon's destruction."¹⁸ Syria supported the President at crucial moments; when Ahdab joined forces with Khatib for a march on the presidential palace, Saiqa, and Palestine Liberation Army troops, both under Syrian direction, stopped them.

At this juncture, Syria, for reasons of her own, became openly involved on the Christian side. The Syrians adamantly refused to support Jumblatt's demand for Franjieh's ouster before the election of a new President. A Saiqa communiqué revealed Syria's increasing disenchantment with the leftist leader: "Jumblatt wants to rekindle the fire of sedition and sabotage of Syrian [peace] initiative."¹⁹ Nonetheless, it was obvious that Franjieh's continuation in office would prolong the war. On April 10, 1976, Parliament voted 90-0 to amend the constitution to permit the early election of Franjieh's successor. Despite Phalangist pressure, Franjieh delayed signing the amendment until April 24, and the election was not held until May 8, some two months before the scheduled balloting.

During the pre-electoral period, the Syrians pressed hard for their candidate, Elias Sarkis, a political moderate and the governor of Lebanon's central bank. Jumblatt endorsed Raymond Edde, who vehemently opposed the Syrian presence. Prior to the election, Jumblatt called a general strike in order to prevent a Sarkis victory. But the left proved impotent, and Sarkis was chosen on the second ballot, 63-3, as mortar rounds fell near the temporary Parliament building. After the election, Premier Karami declared optimistically that "all the Lebanese people are now one family";²⁰ later in the month the Algerian ambassador commented that: "I can say that Lebanon is on the road to a Lebanese political solution."²¹

Yet Franjieh stubbornly refused to leave office, contrary to earlier promises, and the war continued. Despite his declared friendship for the new President, Jumblatt urged "popular resistance" to Sarkis's election, which was termed "a flagrant distortion of the wishes of the Lebanese people."²²

Political maneuvering continued throughout the summer. In June, Franjieh appointed Camille Chamoun as foreign minister in a move characterized as illegal by Karami, who instructed the Arab League and the United Nations to disregard any diplomatic initiatives made by the former President. One week before transferring his office to Sarkis on September 23, Franjieh relieved Karami of several government posts, including that of finance minister, an act that some observers interpreted as an effort to take the control of government funds out of Muslim hands. Karami condemned the appointment of Chamoun, terming the changes "unconstitutional and groundless," designed to thwart a smooth transfer of power to Sarkis.²³

More important than these political activities was the gradual partitioning of Lebanon, which had profound implications for the country's future. By April, 1976, the Christian militias controlled nearly 1 million of their coreligionists, concentrated in a small enclave extending from eastern Beirut north to Tripoli. Some 18 committees or quasi-ministries were set up to handle municipal problems, and "taxes" were collected by the Phalangists and other Christian parties. Jumblatt responded in July by creating a comparable Muslim civil administration for West Beirut, Tripoli, Sidon, and the southwest. His "central political council" was endorsed by the Communists, socialists, Nasserites, and other assorted radicals, but not by the traditional Muslim leadership. A decentralized, confederal republic appeared to be in the making.

THE MILITARY CAMPAIGNS

During 1976, a kind of military nihilism swept Lebanon. Urban artillery and mortar exchanges were often mindless, unrelated to larger strategic or tactical objectives, calculated only to kill and destroy. Sniping and kidnapping became a way of life. Many of those manning the trenches probably had only the vaguest ideas as to why they were fighting. As a Lebanese observer noted, no one was supporting the Republic of Lebanon:

Everyone is defending either his tribe, his political chief, his geographical surroundings or, allegedly, his religious sect.²⁴

Until the Syrian intervention of June, neither side was able to impose its will on the other. The Christians attempted to eliminate Muslim pockets within their territory, and the Muslims replied in kind, but Lebanon could not be reunified by force.

In late 1975, Beirut's modern city center came

¹⁸ *Middle East Economic Digest*, March 19, 1976.

¹⁹ *The Washington Post*, March 25, 1976.

²⁰ *Ibid.*, May 9, 1976.

²¹ *Ibid.*, May 28, 1976.

²² *Ibid.*, May 10, 1976.

²³ *Ibid.*, September 16, 1976.

²⁴ Interview with Elias Saba, a former Deputy Prime Minister, in *Middle East Economic Digest*, January 23, 1976.

under intense fire for the first time, and the luxury hotel district was destroyed. By the end of the year, a leftist offensive had succeeded in dominating western Beirut, despite the apparent cooperation of several army units with the Phalange. The Christians, however, retained possession of east Beirut along battle lines that were to hold for much of 1976. Atrocities became commonplace on both sides. On "Black Saturday" in December, 1975, the Phalangists murdered more than 150 Beirut Muslims in what one reporter termed "an orgy of collective violence."²⁵

Rightist shelling of Beirut's Tal Zaatar camp, which threatened communications with the Christian enclave to the north and east, began in earnest in January, 1976. Food convoys to the camp were also blocked. Debayeh, another Beirut refugee center, inhabited by Christian Palestinians, fell to the Phalange after a 4-day campaign. The Phalangists also eliminated leftist forces from Karantina, a Shia Muslim slum in Beirut, sacked the district, and evidently committed "mass public rape."²⁶ In retaliation, the left occupied Damour, Chamoun's political base of 20,000 to the south of Beirut, stripped the town, and massacred an untold number of Christians. These activities increasingly worried Syria, prompting the intervention of the Syrian-based Yarmouk brigade of the Palestine Liberation Army.

January's hopeful truce broke down in March, and intense exchanges resumed in Beirut and elsewhere. Franjieh was forced to flee the capital on March 25. Muslim advances reached their high point and temporarily only one-third of Lebanon remained under Christian control. Christian villages in the mountains were gutted, and Zahle came under siege. Jumblatt's Druze militia was thrown into battle in the spring, and in May, Jumblatt and Khatib established a joint military command. Syrian concern resulted in a halt in Syrian arms shipments to the PLO in March; pro-Syrian forces lifted the siege of Zahle in early April; and Saiqa clashed with troops of various leftist militias in May.

A decisive turn in the war occurred on June 1, when Syrian tanks and infantry openly intervened on the Christian side. Syrian jets bombed Palestinian camps in Beirut on June 7; infantry and armor attacked the Palestinians and other leftist forces in Tripoli, in Sidon, and in the central mountains. When Syrian tanks were halted near Beirut on the Beirut-Damascus highway, reinforcements were sent in. By mid-June, despite setbacks, Syrian troops had isolated the Muslim sector of Beirut and had captured several Palestinian posts near the Israeli border.

Some of the bloodiest battles of the civil war opened in late June at the Tal Zaatar and Jisr Basha camps in Beirut. Jisr Basha soon fell to the Christians; Tal Zaatar surrendered in August after a 52-day pounding. During the long siege, many had died of starvation and dehydration in Tal Zaatar, and many survivors were executed.

In July, with Syrian help, the Christians drove toward Tripoli, a leftist stronghold, and Baalbek fell to Syrian troops. The Palestinians were obviously the main targets of the Syrian-Christian alliance. The Syrian blockade deprived them of food, fuel, weapons and medical supplies. Arafat appealed desperately to President Anwar Sadat of Egypt, declaring that the Palestinians were "caught in the jaws of a nutcracker."²⁷ Leftist and Palestinian troops were now spread too thin across the country for effective offense or defense; a reporter noted at the end of July, "... the Palestinians have their backs to the sea."²⁸ Although the war did not end with the departure of Franjieh and the inauguration of Elias Sarkis on September 23, it seemed clear that the Palestinians would be decimated if the fighting persisted. After a late summer lull, Syria's September and October offensives dislodged the Palestinians from the central mountains, brought the leftist-controlled port of Sidon under heavy attack, and threatened to liquidate the PLO as a viable military organization.

LEBANON AND SYRIA

In 1976, for a variety of motives, Syria became an open participant in Lebanon's civil war. Initially, Damascus supported the PLO-leftist alliance, supplying the Palestinians with weapons and denouncing Christian efforts at partition. Foreign Minister Abdel Halim Khaddam, for example, was quoted as saying that "Lebanon used to be part of Syria and we shall take it back at the first serious attempt at partition."²⁹ The Syrians evidently feared the creation of a Christian mini-state that might align itself with the Israeli enemy. Moreover, Syria's sympathies naturally inclined toward her Muslim brethren as well as toward the Palestinians, many of whom lived in Syria and formed an influential community there. Thousands of Syrian workers also earned their living in Lebanon, providing another significant fraternal bond between the two countries.

But Syria's main concern was her own security. She feared that the breakup of Lebanon might pro-

(Continued on page 30)

Norman F. Howard lived in Beirut, Lebanon, from 1956 to 1960, and traveled widely throughout the area. He has engaged in research and writing on the Middle East for many years, and has written articles on Jordan, Israel, Lebanon, and United States policy.

²⁵ *The Washington Post*, December 14, 1975.

²⁶ *Ibid.*, January 31, 1976.

²⁷ *Ibid.*, July 12, 1976.

²⁸ *Ibid.*, July 31, 1976.

²⁹ *Middle East Economic Digest*, January 9, 1976.

In Saudi Arabia, "Since [King Faisal's] death, the deterioration of the old social order has accelerated and a viable alternative has apparently not developed. By 1980, one out of every five or six persons in the kingdom will be a foreigner; and the strain on the country will be severe."

The Economic Development of Saudi Arabia: An Overview

BY RAMON KNAUERHASE

Associate Professor of Economics, The University of Connecticut

IN 1945, the wheel was scarcely being used in Saudi Arabia. The common mode of transportation was the camel, and the majority of the population earned a meager living from agriculture or animal husbandry. If an animal became ill or the spring rains failed, it was God's will. If the animal recovered or the harvest was adequate despite the lack of rain, it was God's mercy and all praise was due Him. If the animal died or the crop failed, it was also God's will, and goatherd and farmer accepted it, praying for better times.

Today, Saudi Arabia is a world power. She owns the largest oil reserves in the world and is the largest oil exporter. The travels of Sheik Ahmad Zaki Yamani, the Minister of Petroleum and Minerals, are reported in the world's newspapers, radio and television networks; his statements are analyzed for clues to the kingdom's policies and its effects on the world economy, and the world's leaders take Saudi Arabian reactions into account in their policy making.

Within the country, trucks and cars have replaced the camel. A highway system connects the major population centers. In the main cities, all important streets are paved; rush hour traffic jams are as ubiquitous in Jedda and Riyadh as in any major European, Japanese or American city. Saudia, the national airline, owns a fleet of modern jet planes piloted by Saudi captains, some of whom were born in a bedouin tent.

Since World War II, most less developed countries have actively tried to improve their economies. Encouraged by the success of government economic planning during the two World Wars and by the

Soviet example, the less developed nations have engaged in formal economic planning. Detailed development plans have been designed and implemented with varying degrees of success, in the belief that planning will accelerate economic progress and shorten the process that took decades—if not centuries—in the industrialized nations.

Economic development planning began in Saudi Arabia in 1959 with the establishment of the Committee for Economic Development. This organization was superseded in 1965 by the Central Planning Organization, which became the Ministry of Planning in 1975. Although the institutional structure for planning has existed since 1960, effective national planning did not begin until 1970–1971, with the implementation of the first five year development plan.¹ Prior to that time, economic development planning was based on the proposals of various ministries. They submitted their budgets with requests for financial allocations for project and recurrent expenditures to the Ministry of Finance, which approved or rejected the planned projects according to its own evaluation of the requesting ministry's ability to carry out the proposed spending program and its estimate of total revenues for the coming year.

Work on the first formal overall plan began in 1968, limited by the financial constraints resulting from the 1967 Middle East War. It was realized that success rested on a limitation of defense and public administration expenditures, new sources of revenues and "[the] oil companies appreciation of the kingdom's need for an exceptional financing capacity that dictates increasing their payments to the government during the whole of the plan period." To achieve the plan goals, the annual growth rate of gross domestic product was to be raised from 7.9 to 9.8 percent; and emphasis was placed on manpower development and the diversification of sources of national income to reduce dependence on oil income.

¹ Because the Arabic calendar is based on the lunar year, the Gregorian and Hijra dates do not coincide. The period covered in the Gregorian dates varies from Hijra year to Hijra year. For example: 1386 A.H. corresponds to the period 4/21/66 to 3/12/67 A.D., and 1394 to 1/24/74 to 12/15/74 A.D.

Total planned expenditures for the five year plan period were set at S.R. 41.3 billion (\$9.1 billion at the 1970 dollar-riyal exchange rate). Revenue projections ranged between S.R. 33.8 and S.R. 37.4 billion. The projected revenue gap was to be covered by new revenue sources and by additional payments from Aramco. The realization that the country's needs as projected in the first five year development plan might not be met was one of the major reasons for Saudi Arabia's effort to wrest control of oil prices from the international oil companies.

The thrust of the second five year development plan (1975-1980) is the expansion of the economy's absorptive capacity. To achieve this, the planners emphasized manpower development and capital formation. The plan calls for total expenditures of S.R. 498.2 billion (\$142.0 billion at 1975 exchange rates) of which two-thirds will be used for project and the rest for recurrent expenditures. The overall growth rate of the economy is projected at 10.2 percent.

Diversification of the economic base is a key element of the second plan. To bring this about and to spread the fruits of development throughout the country, the nation has been divided into five socio-economic regions, each of which is to be developed as far as possible on the basis of its own available resources. The most interesting aspect of this aim is the introduction of the concept of two growth poles. Under this concept, major hydrocarbon-based industrial centers are to be established in the North Eastern and North Western Regions.

No other developing country has ever had greater resources available to accelerate its economic development than Saudi Arabia. Table 1. presents an overview of the magnitude and growth of oil output and revenues for selected years from 1938—the year oil was first discovered in commercial quantities—to 1975. Since 1945, output steadily expanded until 1974 when it reached 3.1 billion barrels; it declined to 2.6 billion barrels in 1975. Revenues rose from \$5.0 million in 1945 to \$340.8 million in 1955, fell about 15 percent in 1956, reached the previous peak in 1961 and passed the \$1-billion mark in 1970. Until 1970, increases in crude output as well as changes in the contractual relationship between the government and Aramco influenced the growth of oil revenues. Since that year, however, price increases have been the major reason for the upward trend in revenues. From 1970 to 1974, output rose 123.2 per-

² The GDP growth of 7.9 percent given previously for the same time span was the rate given in the first plan. The above rate is the actual growth calculated by the author from a revised statistical series. For the remainder of this paper, the discussion will be based on the revised 1973 GDP series.

³ Because the oil sector accounts for over 50 percent of total GDP, non-oil GDP is a better analytical tool to explain current domestic economic conditions.

TABLE 1: Crude Oil Output and Government Oil Revenues

Year	Output (Mil. Bls.)	Revenues* (Mill. Dollars)
1938	0.5	0.2
1945	21.3	5.0
1948	142.9	31.5
1950	199.5	56.7
1951	278.0	110.0
1955	356.6	340.8
1956	366.8	290.2
1960	481.4	333.7
1965	804.9	664.1
1967	1,023.8	903.6
1970	1,386.7	1,214.0
1971	1,740.6	1,884.9
1972	2,202.0	2,744.6
1973	2,772.6	4,340.0
1974	3,095.1	22,573.5
1975	2,582.5	25,676.2

* At prevailing dollar-riyal exchange rates.

Source: Ramon Knauerhase, *The Saudi Arabian Economy* (New York: Praeger Publishers, 1975), pp. 194, 287.

Saudi Arabian Monetary Agency, *Annual Report, 1395, A.H.* (Jedda: 1395 A.H.), pp. 110, 111.

Ibid., *Statistical Summary*, first issue 1395/96 (1975/76) (Jedda: March, 1976), pp. 72, 73.

cent, while revenues rose about 1,759.0 percent; from 1974 to 1975 crude output actually declined 16.6 percent while revenues rose nearly 14.0 percent. Recent announcements (in August, 1976) indicate that the trend of lower output and higher revenues will continue.

THE PROBLEM OF UNEMPLOYMENT

Despite the absence of a formal development plan, during the 1960's the economy grew rapidly and without major distortions (see table 2). Real gross domestic product (GDP) grew at an average annual rate of 8.7 percent² from 1966-1967 to 1969-1970; total private consumption expenditures rose 13.5 percent; and gross fixed capital formation rose 6.4 percent. The cost of living rose about 7.0 percent during the same period. Excluding the oil sector, the economy grew at an annual rate of 6.9 percent.³

The structure of the non-oil economy did not change significantly during the 1960's. In 1966-1967, government services accounted for 22.3 percent of non-oil GDP; transportation and agriculture for 13.9 and 13.4 percent, respectively; non-oil manufacturing, 4.9 percent; construction, 12.8 percent; finance, insurance, real estate services, 12.3 percent; and wholesale and retail trade, 11.4 percent. By 1969-1970, the relative share of government, agriculture and construction had fallen slightly while the relative share of trade, transportation, non-oil manufacturing and financial services had increased slightly.

Measured in aggregate terms, the first plan has been a success, modified somewhat by the failure to

TABLE 2: Selected Indicators of the Structure and Growth of the Non-Oil Economy

Economic Sector	Percent Distribution			Average Annual Percent Change	
	1966/67	1969/70	1973/74	1966/67 to 1969/70	1970/71 to 1973/74
Agriculture	13.4	12.2	9.4	3.6	3.5
Non-oil Manufactures	4.7	5.6	5.6	11.9	11.2
Electric, Gas & Water	3.0	3.4	3.5	11.3	11.8
Construction	12.8	11.6	14.5	3.3	21.4
Trade	11.4	12.5	13.6	10.1	15.5
Transport, etc.	13.9	15.4	18.6	10.6	14.8
Finance, Ins., etc.	12.3	12.6	11.2	7.9	8.3
Govt. Services	22.3	20.8	18.2	4.4	8.1

	Million Saudi Riyals 1969/70 Prices			Average Annual Percent Change	
	1966/67	1969/70	1973/74	1966/67 to 1969/70	1970/71 to 1973/74
TOTAL REAL GDP	13,564.2	17,398.6	31,543.1	8.7	15.7
NON-OIL REAL GDP	6,606.8	8,051.4	11,967.8	6.9	11.5

Source: Central Department of Statistics, *National Accounts of Saudi Arabia, 1386/87 through 1393/94 A.H.* (Riyadh: C.D.S., 1976), pp. 5-6, 20-21.

reduce the economy's dependence on oil. Total real GDP and non-oil real GDP grew 15.7 and 11.5 percent, respectively, and the growth rate of total real GDP far exceeded the planned rate of 9.8 percent. The share of crude oil and natural gas production rose from 46.6 percent in 1969-1970 to 57.6 percent in 1973-1974.

The aggregate growth rate of the first four plan years is among the highest ever achieved by any country, topping the growth rates of the West German and Japanese economies of the late 1960's. Success in aggregate terms, however, does not mean that the development effort has benefited all social groups within the economy. To be effective, economic development must raise income and create well-paying jobs, because it is possible to increase per capita income without necessarily creating more employment.

The basic problem of the developing world is the elimination of poverty and unemployment. The solution—in part at least—is the creation of job opportunities in the modern (industrialized) sector at a rate fast enough to offer employment opportunities for the expanding labor supply. But in the remedy everything depends on everything else. To expand the industrial sector and with it employment requires

an increase in the capital stock, which, in turn, depends on the growth rate of saving. But in most less developed countries the saving rate is low because of the prevailing low level of income. Furthermore, the inducement to invest may be weak since product demand is also weak because of the low per capita income. Capital formation is a necessary but not a sufficient condition of economic growth, which also requires important social and cultural changes that do not come about within the time span of one or two five year development plans. Instead, these changes must wait for a new generation to reach maturity.

In Saudi Arabia, the vicious cycle of poverty can be broken because the sale of crude oils has provided the nation with immense wealth. From 1966-1967 to 1969-1970, gross fixed capital grew at an annual rate of 6.4 percent. During the four year period from 1970-1971 to 1973-1974 it grew 45.0 percent annually, with the highest rate—65.8 percent—in the oil sector, followed by the government and non-oil sectors at 48.5 and 26.9 percent, respectively. No other nation has ever achieved such phenomenal rates of capital formation. Yet it is doubtful that the average Saudi citizen has seen his own standard of living rise at rates anywhere near as high, because the thrust of capital formation and the structural development of the economy have failed to create socially acceptable jobs.⁴

The number of job opportunities created by capital formation in the oil industry is small. The hydrocarbon industry is very capital-intensive, and the jobs that have been created call for highly trained professionals. In 1964, Aramco and Petromin⁵ em-

⁴ For a discussion of the theoretical foundation and additional statistics, see: Ramon Knauerhase, "Social Factors and Labor Market Structure in Saudi Arabia," Yale University Economic Growth Center, *Discussion Paper No. 247*, May, 1976.

⁵ Petromin is a government corporation established in 1962 to carry out investment projects in the petro-chemical sector, such as refining, manufacture of lube oils and fertilizer.

ployed 12,880 and 101 persons, respectively, of whom 80.0 and 90.1 were Saudi workers.⁶ In 1973, these companies engaged 12,023 and 2,423 workers, of whom 77.3 and 80.6 percent were Saudis. Since the Saudi labor force amounted to about 1.2 million, the job opportunities provided in the oil sector have been miniscule. This problem is not mitigated by the fact that an increasing number of Saudis are filling top management and technical positions in the oil sector.

There is considerable evidence that at the current stage of Saudi Arabia's social development the majority of the underemployed poor seek employment in the government sector, in selected private trade, transportation and service industries, and in a limited number of technical and blue collar occupations. Because of a cultural bias on the part of many job seekers, even substantial wage differentials have failed to attract Saudi workers into many job categories. To the extent that capital formation in the private, non-oil sector has been considerably below that of the other economic sectors and to the extent that the percentage shares of non-oil manufacturing, transportation and trade have not increased, the first five year plan has failed to provide immediate advancement opportunities for many Saudis.

An alternative to the creation of modern urban employment as a means of increasing per capita income is the creation of jobs in rural areas. Except for the nomadic population, agricultural jobs require little—if any—social adjustments. Expansion of the agricultural sector avoids the cultural bias against many forms of modern employment, thus mitigating the forces leading to sociologically determined underemployment. Unfortunately, the average annual growth rate of the rural sector has been almost constant since 1966–1967, and the sector's share in non-oil real GDP has declined from 12.2 percent in 1969–1970 to 9.4 percent in 1973–1974. The Saudi Arabian economy has remained a one-crop economy: it produces and sells crude oil.

The lack of success in providing the proper types of socially acceptable employment opportunities results from a flaw in the basic planning philosophy. As is true in all developing countries, the overall goal is to “[i]ncrease the well-being of all groups within the society and to foster social stability under circumstances of rapid social change.”⁷ To achieve this, the government must play an active role in the development process, but it is believed “that economic and social change cannot be imposed on the country by the actions of the government alone.”⁸ The

policy makers believe in “the principles of [a] free economy where a substantial part of the production and distribution of goods and services is left to individuals and groups enjoying freedom in their dealings and transactions.” The adoption of the free enterprise philosophy has led planners to limit direct government contributions to individual welfare. Consequently, the planning effort has concentrated on the development of social services “to ensure that every group and individual, however disadvantaged, enjoys an adequate, dignified minimum standard of living. Levels above this minimum will continue to be the reward of individual effort and achievement.”⁹

The weakness of this position rests on the fact that the government is the economy. In 1973–1974, public final consumption expenditures amounted to nearly two-thirds of all expenditures on GDP after the subtraction of exports of goods and services. Thus, government expenditures largely determine the pattern of economic activity. The complete lack of a well-developed physical and social overhead structure, in turn, has been a crucial determinant of the government's development strategy and the composition of labor demand. The building of roads, electrical power plants, hospitals and schools; the development of a petro-chemical industry; the acquisition of airplanes and modern weapons; the provision of education, health and social services all create a demand for labor, but the required technology is such that only a limited number of Saudi individuals can take full advantage of the opportunities offered either because they lack the social adaptability or the education.

The complexity is brought into focus by the presence of expatriates in the labor force. In the early 1970's, about 300,000 foreigners worked in Saudi Arabia, and it has been estimated that the implementation of the second plan will require an additional 500,000 foreigners. This means that by 1980 approximately one out of three workers will be a foreigner. Of course this situation will resolve itself in the long run. As the economy grows and as education and external influences lead to a modification of the social structure, more Saudis will be willing and qualified to enter the skilled and non-traditional occupations created by the development effort. But until that time, the Saudi labor supply will be divided into a traditional and a modern component and those unable to leave the traditional sector will have fewer opportunities for advancement.

In almost any other developing country, this condition would have to be accepted as the price the present generation must pay to assure a better future, because the obtainable resources would not allow more current consumption without jeopardizing future economic growth. In Saudi Arabia, the resources are available to improve the lot of all in-

⁶ *Ibid.*, p. 22; Knauerhase, *The Saudi Arabian Economy*, pp. 206–208.

⁷ *Second Plan*, p. 1.

⁸ *First Plan*, p. 21.

⁹ *Ibid.*, p. 2.

TABLE 3: Selected Indicators of Progress in Social Services, Various Years

	EDUCATION					
	1960/61	1966/67	1969/70	1970/71	1972/73	1973/74
Number of Students (Thousands)						
Male	131.3	296.8	385.8	418.1	497.7	555.5
Female	5.2	71.2	126.2	143.6	200.8	241.7
Total ¹	143.0	385.6	537.8	592.6	739.3	844.3
No. of Teachers	6,448	15,749	22,975	24,255	31,732	38,330
Government Budget Appropriations (Million S.R.)	166.8	514.3	601.8	664.9	1,591.5	2,255.1
	HEALTH SERVICES					
No. of Hospitals	40	51	47	47	51	54
No. of Beds in Hospitals	3,668	5,686	6,787	7,165	8,132	8,870
No. of Dispensaries	48	179	191	187	190	206
No. of Health Centers	59	209	301	332	343	360
No. of Physicians	280	640	770	789	1,081	1,268
No. of Nurses and Technicians	906	2,192	2,236	3,705	4,742	5,323
Government Budget Appropriations (S.R. Million)	68.4	166.3	200.1	182.6	432.0	594.3
Government Appropriations for Labor and Social Affairs (S.R. Million)	255.3	1,221.5	1,306.1	1,328.1	3,200.7	5,158.4

¹ Total includes private school students.

dividuals through direct subsidies if necessary. The government's efforts to increase real income by subsidies of staple food items, free medical services and education and social payments to the elderly and disabled are a step in the right direction. Until the leadership realizes, however, that a substantial group of citizens cannot take advantage of the opportunities created by the development plan, the fruits of the nation's oil wealth will be very unevenly distributed.

Although this analysis underlines the need to change the planning strategy, significant progress has been made (table 3). Expenditures on education and health and on other social services have risen many fold, and there can be no doubt that real incomes have increased. Basic medical services and schooling are free, and students attending technical training institutes are paid stipends. Social security, widows' pensions and payments to the disabled have been introduced and are rapidly expanding. A credit assistance bank has been established, which will extend interest free loans up to S.R. 5,000 to Saudi nationals to help overcome financial difficulties. A real estate development fund has been set up to facilitate the purchase of private family homes.

The transformation of education will have the most far-reaching effect on Saudi Arabian society. The total number of students on all levels rose almost 500 percent, from 143,000 in 1960-1961 to 844,300 in 1973-1974. During the same period, budget appropriations for all education rose well over 1,200 percent. Clearly the future looks brighter. The cur-

rent generation of adults may not be prepared to take jobs in the modern sector, but the educational system is beginning to prepare the youth of the country for the future.

The impact of the rising level of education will be transmitted to the social structure through the education of women. Although a woman's position in Saudi society is inferior to that of a man, early childhood education is almost completely in the hands of mothers. As long as women are illiterate and are denied any formal education, they will remain a strong force for conservatism. As more and more women become educated, they will begin to question their own role in society; any liberalization in the position of women will break up some of the social constraints that currently retard the social change that must occur to assure successful economic development.

The following selected statistics offer additional evidence of progress. Since 1960-1961, 10,938 kilometers of first class primary roads have been built, 2,438 kilometers are under construction and 4,368 kilometers are in the study and design stage. In
(Continued on page 32)

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"If Turkey tries to solve her outstanding differences with Greece by force, she will find herself further isolated in the world community."

Turkey: Shadows of Conflict

BY DWIGHT JAMES SIMPSON

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SINCE the establishment of the Republic of Turkey in 1923, after the collapse of the Ottoman Empire, the country's record of accomplishment has been long and impressive. In the past 50 years, a new Turkey has been built. One of the great heroic figures of the twentieth century world, Mustafa Kemal Ataturk, the Republic's founder and first President, put Turkey firmly on the road to national greatness.

Before Ataturk's death in 1938, nearly everything about Turkey had been modified or changed drastically. Turkey was secularized; the traditional faith of Islam, which had pervaded every aspect of the old Turkey, was stripped of control or major influence in the key sectors of national life. Turkey was also modernized, industrialized, democratized—most profound change of all—Westernized by Ataturk and his successors; so in 1977, the country is taking its rightful place among the nations of Europe and the world.

Nonetheless, Turkey has serious problems, some of such magnitude that if they are not handled constructively and sensitively the great political, social and economic base built by Ataturk will be endangered.

The first problem concerns Turkey's population—its overall size, recent rates of growth, and the sharing of national wealth and productivity. According to the October, 1975, census, Turkey's population is now 40.2 million, a gain of 5 million over the census of 1970. The population's annual growth rate has hovered between 2.5 percent and 3 percent. This rate is by no means the highest in the world; but measured against Turkey's available land, natural resources and industrial absorptive capacity the growth rate is alarmingly high. Unless there is a substantial and permanent change in this trend, Turkey's population will be double its present size by approximately 2015.

Moreover, specific statistics present a somber picture. Approximately 40 percent of the total population is under the age of 15. As this great mass of young people enters an overcrowded labor force that suffers from a relatively chronic 10 percent to 20 per-

cent unemployment, personal frustrations and economic and political dislocations will be quickly felt. To prevent a serious economic and social crisis, the public and private sectors of the Turkish economy must create at least 100,000 new jobs annually. Unfortunately, the Turkish economy has not matched this pressing need, and because of shortages of investment capital, entrepreneurial skills and political indecision prospects are obscure. Rapid population growth also places great strain on the country's infrastructure. Merely to maintain the same per capita ratio of public facilities like water and sewage systems, hospitals, schools, and transportation, enormous new capital investments will be required. Both agricultural and industrial productivity will have to climb steeply to avoid a serious decline in Turkish consumption patterns and living standards, ranging from moderate to low.

There is no crisis; Turkey's population problems are serious, not catastrophic. Moreover, her resource base is good, and her political and economic techniques are reasonably innovative and productive. Given a clear recognition of the problem by those in positions of leadership in Ankara, these problems may well be solved. A vigorous application of more effective population limitation techniques may be the short-run answer to the long-range problem. Turkey has made some progress in this area, but the religious norms and cultural attitudes of a fundamentally conservative Turkish peasantry are formidable obstacles. The gap between Turkish peasants and urban dwellers is large, and seems to diminish only very slowly and only in a few favored sectors of rural Turkey.

The Kurds form a particularly depressed group of the Turkish population, which is experiencing a population growth rate above the national average. Although Muslims, the Kurds are ethnically, linguistically and culturally different from the Turks. The Kurds have long sought independence, always unsuccessfully, and since 1925 they have been subjected to various repressive measures on the part of the Turkish government, including military incursions, martial

law, imprisonments, executions and mass deportations. The Turks have also engaged in serious cultural repression of the Kurdish population, which numbers probably five million. Since 1924, when Turkish law prohibited the use of the Kurdish language, it has been a punishable offense to publish anything in Kurdish or to teach Kurdish in the schools.

Turkish authorities have also tended to deny that the Kurds have an ethnic identity. Various euphemisms are used, the most persistent of which describes the Kurds not as Kurds but as "Mountain Turks." In May, 1971, the official attitude was well summed up in a speech by the then Prime Minister, Nihat Erim:

We accept no other nation as living in Turkey, only the Turks. As we see it, there is only one nation in Turkey: the Turkish nation. All citizens living in different parts of the country are content to be Turkish.

It was during Prime Minister Erim's military-sponsored regime that some of the more odious repressions against the Kurds were carried out. Not until the advent of Bulent Ecevit to the office of Prime Minister in 1973 were a few of the worst political and legal constraints against the Kurdish people lifted. Under the government of Prime Minister Suleyman Demirel, active repression has subsided considerably; the Kurds have resumed their more traditional position, ethnic captives in what to them is a Turkish prison.

Eastern Turkey is far less developed than the western provinces, and most Kurds live in the eastern or "Kurdish" provinces. In this area, illiteracy runs at a rate of nearly 77 percent, compared with 50 percent elsewhere. Kurdish provinces have far fewer tractors, motor vehicles, roads, banks, schools and hospitals than the rest of Turkey. Even the process of Turkish politics works to the disadvantage of the Kurds, whose aims and goals are not serviced by one or more of the Turkish political parties. Under a 1964 Political Parties Act enacted by the Grand National Assembly, political parties are forbidden even to acknowledge the existence of different races or languages within Turkey, not to mention catering to an ethnic group's nationalist or separatist ambitions. This rigid and uncompromising position means, in effect, that as the Kurds give up their ethnic identity, including their language, they acquire a new identity—they are Turks. Until they become Turks, at least in Turkish eyes, Kurds do not exist. Given the long

history of Kurdish nationalism and the facts that the Kurdish population growth rate exceeds that of the Turks and that the Turkish economy cannot afford substantial economic gains for the swelling number of Kurds, the smoldering "Kurdish question" may well become a major crisis.

THE CYPRUS QUESTION

The second major problem that confronts Turkey, which is of the gravest import, is Cyprus. The struggle for control of the beautiful island 40 miles off the south Turkish coast, with a population of 600,000 (80 percent Greek, 20 percent Turkish), continues to dominate Turkish politics. On July 15, 1974, the legally constituted government of Cyprus under Greek Cypriot President Archbishop Makarios was overthrown by an Athens-directed coup of Greek army officers who were in Cyprus to organize the Cypriot National Guard. President Makarios had never trusted the National Guard, and he had been opposed to "enosis," the political union of Cyprus with Greece. For its part, the military dictatorship in Athens, hysterically anti-Communist, openly suspected President Makarios of pro-Communist sympathies. Sharing this view, United States President Richard Nixon and Secretary of State Henry Kissinger viewed Makarios as the "Castro of the Mediterranean."¹

The former British Crown Colony of Cyprus had achieved political independence under the 1959 London and Zurich agreements. The agreement provided for a federal political system and a confessional-based allocation of public affairs between Greeks and Turks, with each ethnic group receiving offices proportionate to its numbers. The London and Zurich agreements also provided that Cyprus would remain independent of political control or union with either Greece or Turkey; each of the three signatory powers (Turkey, Greece and Great Britain) was to be allowed to intervene on Cyprus if the federal solution or the basic agreement itself were persistently violated.

After the July, 1974, overthrow of the Makarios government, the Turkish government sent its army to invade Cyprus in force, exercising its right of intervention under the 1959 agreements. By the end of the summer, the Turkish army had occupied about 40 percent of Cyprus, including most of the north coast of the island facing southern Turkey. The area of Cyprus seized by Turkey was inhabited by about 200,000 Greek Cypriots, nearly all of whom fled the area, or were driven out; by August, 1976, Greek Cypriot officials estimated that only 5,500 Greeks remained in the Turkish-controlled zone. During the same period, only a handful of the 32,000 Turkish Cypriots in the southern, Greek-controlled area of Cyprus moved into the Turkish zone.

This movement of populations represented a profound change for Cyprus. Previously, Greek and

¹ The "leaked" sections of the report of the House Select Committee on Intelligence, chaired by New York Democratic Congressman Otis Pike, show clearly the attitudes of the Nixon administration and Secretary Kissinger on the Cyprus question. See "The C.I.A. Report the President Doesn't Want You to Read," the Pike Committee Papers: An Introduction by Aaron Latham, 24-page special supplement, *The Village Voice*, February 16, 1976.

Turkish Cypriots were intermingled in fairly close proximity. For the first time in modern history, the two groups are for the most part separated. Moreover, on the eve of the outbreak of hostilities, census figures showed 116,000 Turkish Cypriots on the island. Today, the Turkish population is estimated at 165,000. Greeks claim the increase is due to the "colonization" of northern Cyprus by mainland Turks. Turkey says the increase is due to several factors, including the fact that Turkish soldiers who took part in the invasion have become permanent residents.

The separation of Cyprus into Turkish and Greek areas is nearly complete. In February, 1975, the Cypriot Turks proclaimed the Turkish Federated State of Cyprus, a step that indicated that, so far as the Turkish government in Ankara and the Turkish Cypriot community were concerned, there was no possibility of returning to the perilous *status quo* that existed prior to the overthrow of Makarios. In July, 1975, veteran Turkish Cypriot leader Rauf Denktaş was sworn in as the first President of the Turkish Federated State of Cyprus, and Necat Onuk was selected to be the first Prime Minister. In spite of these seemingly irretrievable steps, however, there are some indications that under certain conditions the Turks regard the Cypriot problem as negotiable. An important clue was the June, 1976, statement of Nail Atalay, the representative at the United Nations of the newly proclaimed state:

Turkish proposals for a Federal Republic of Cyprus are not intended as camouflage for partitioning the island. If Turkey had indeed desired a partition it would have openly said so. What Turkey wants genuinely is a federal republic under which the crimes perpetrated by the Central Greek Cypriot administration in the past would not be repeated against the Turkish community.

Turkey's steadfast position on the Cyprus question, satisfactory though it appears to be to both Turkish Cypriots and mainland Turks, was not without its price. On November 20, 1975, the United Nations General Assembly enacted Resolution 3395 on the Cyprus question, by a vote of 117 to 1 (Turkey) with 12 abstentions (including the United States). The vote itself and the particulars of the resolution indicated the degree to which Turkey had become isolated in the international community. The resolution included a demand for "withdrawal without further delay of all foreign armed forces from the Republic of Cyprus, and the cessation of all foreign interference in its affairs." Also called for were "urgent measures to facilitate the voluntary return of all refugees to their homes, and to settle all other aspects of the refugee problem."

Another "price" Turkey had to pay for her forthright actions on Cyprus was the near rupture of relationships between Turkey and her principal ally, the

United States. In a move to pressure the Turks to modify their position, in February, 1975, the United States Congress imposed an arms embargo on Turkey. This drastic step was fought by United States President Gerald Ford, who stated in a July, 1975, press conference that he had "repeatedly warned the Congress of extremely serious consequences if it failed to restore military sales and credits to our Turkish allies." The "consequences" were not long in coming after a House bill that would have partially lifted the embargo was defeated on July 24, 1975, by a vote of 223 to 206. Waves of anti-American sentiment swept Turkey, and the following day Prime Minister Demirel announced that his government had decided to suspend the activities of United States bases in Turkey and that they would henceforth be brought under the complete control of the Turkish army.

On August 2, 1975, Prime Minister Demirel tightened the screws. In a press conference immediately after his return from the European Security Conference in Helsinki (where he had talked with President Ford about the embargo and the bases), the Turkish leader warned that if negotiations with the United States did not produce a result satisfactory to Turkey the negotiations themselves would be "transformed to disposal," an apparent reference to the ending of the United States military presence in Turkey.

The stakes between the two quarreling allies were very high. In Turkish eyes, the alliance with the United States had depreciated in value because of the vagaries of domestic American politics. "Ethnic" politics in the United States being what they are, it had been fairly easy for pro-Greek forces in the United States Congress to impose an arms embargo on Turkey. Turkey's self-esteem was badly shaken by this action during the emotion-ridden conflict with Greece, her ancient enemy. Nor could Turkey allow her supply of weapons to be restricted. For its part, the United States needed the Turkish bases. The United States maintained 20 to 30 Turkish bases (the exact number is difficult to obtain because several bases are highly secret). These include many important "spook" stations, electronic monitoring facilities that are a fertile source of information about Soviet military activities, from troop movements to missile launchings.

The impasse was finally broken. On October 2, 1975, after intense and successful administration lobbying on Capitol Hill, the House of Representatives passed a bill almost identical to the bill defeated in July. The Senate approved on October 3, and the administration was able to resume arms shipments to Turkey. Shortly thereafter, Turkish Foreign Minister Ihsan Sabri Caglayangil announced that Turkey and the United States would open negotiations to find a new ground for joint defense cooperation, including the disputed bases. Thus Turkey and the United

States, first brought into alliance under the terms of the Truman Doctrine in 1947, managed to preserve the agreement that had bound them through the worst days of the cold war. Whether this alliance could long survive renewed stress was not clear.

Relations between Turkey and Greece, badly deteriorated over Cyprus, took a new and perilous turn for the worse in 1976 because of disputed claims to mineral rights in the Aegean Sea. In 1973, in the waters off the Greek island of Thasos, Greek operators had struck oil in important commercial quantities. Greek Minister of Industry Elias Efthymiadis announced that the Thasos field had a probable yield of 300,000 barrels a day, with excellent prospects that the entire Aegean seabed would yield oil on an "Arab" scale. Obviously, the stakes are high; oil in this amount could signal an era of unparalleled affluence for Greece or Turkey. The Greek islands, of which Thasos is one, form a chain through the Aegean only a few miles from Turkey's western coast.

The Geneva Convention of 1958 gives any country the right to explore for minerals on its continental shelf. Greece has signed the convention; Turkey has not. But this convention is inapplicable or even irrelevant, because in this area Turkey and Greece occupy the same shelf. The close geographical proximity of the traditional adversaries creates a perilous situation, the more so because the historic animosity has been badly exacerbated by the Cyprus conflict. Thus the potential for armed conflict is always present. If Greece follows the current international trend and extends her territorial waters from three to twelve miles, many passages between Aegean islands would become exclusively Greek. Turkey has warned repeatedly that such an act would be cause for war. Greece continues to assert the right to claim 12 miles but by the end of 1976 she had not done so.

In recent years, Greece has armed many of the islands—in violation of international treaties—and justifies this step by asserting that Turkey may eventually make territorial claims to the islands themselves. The Greek position is doubtless based on the observation of Greek politicians about a pronounced factor in Turkish politics: many patriotic Turks feel suffocated by a chain of Greek islands off their western shore and want to expand Turkish economic and military influence in that area. These same Turks are restrained from any attempt to recapture the islands out of deference to international public opinion, which would almost certainly oppose any alteration in the *status quo*. But having successfully resisted the viewpoint of the international community on the Cyprus question, Turkish extremists may yet have their day.

Of course, the question of the Aegean islands has become a pivotal political issue in both Greece and Turkey. In Athens, out-of-office politicians and many newspapers have used the issue to berate the

government of Prime Minister Constantine Caramanlis. For instance, Socialist leader Andreas Papan-dreou, a former professor of economics at the University of California, takes the position that the entire Aegean belongs to Greece and that Caramanlis is "losing the psychological war" with Turkey. In Turkey the pattern is similar. Bulent Ecevit, Turkey's opposition leader, temporarily became a folk hero when, as Prime Minister in 1974, he ordered the invasion of Cyprus. Currently, Ecevit is strongly criticizing Prime Minister Suleyman Demirel for not asserting Turkey's rightful claims in the Aegean. Ecevit's mounting criticism has become politically so oppressive to the Prime Minister that in July, 1976, he ordered the seismic survey ship *Sismik I* into Aegean waters to prospect for oil. The armed forces of both nations went immediately to a high stage of alert, and the possibilities of armed conflict were substantially increased. Fortunately, the first voyage of *Sismik I* ended without incident. But since there was no concrete progress on the diplomatic front, in 1977 war clouds still darken the skies over Turkey and Greece.

DOMESTIC DIFFICULTIES

Most observers believe that Turkey would prevail in a war with Greece; Greece is badly overmatched in terms of military power. But for Turkey even a "victory" over Greece would be dangerous, perhaps disastrous, in other areas. For instance, Turkey's economy is already malfunctioning. Most of the key indices reflect warning signals: unemployment has hovered around 20 percent for the past several years; underemployment, although known less precisely, is substantial. Since 1972, price inflation has run between 20 percent and 30 percent annually. Turkish industry presents a spotty picture; some sectors are properly capitalized, well managed and productive, making export trade a viable goal. Other sectors are weak, unproductive, inefficient and noncompetitive. Turkey is again running a serious rate of deficit in international trade. In 1974, the unfavorable balance was \$2 billion, as opposed to approximately \$1 billion in 1973. The first six-month report of 1975 indicated that the unfavorable trend was continuing. There are, of course, multiple causes, but the two major factors are the chronic underdevelopment of Turkish industry and the overall costs of the 1974 invasion of Cyprus. A third cause stems from the economic recession from which Europe is still slowly

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"Iran's resources and geographic position continue to make her of great strategic value to other nations. And those same resources have opened up an opportunity to create a new industrial state, organized around the monarchy."

Iran's New Industrial State

BY ANN T. SCHULZ

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EVER SINCE the price of oil skyrocketed, the word "oil" has evoked images of desert kings surrounded by imported luxuries and veiled women. In the aftermath of the initial price hikes, through the spring of 1974, the news media portrayed oil country negotiators as hard-driving bedouin bargainers confronting the hapless petroleum consumers of industrial West Europe and the United States. A vastly more complicated reality lay beneath the stereotypes that arose from a combination of romantic indulgence and ill-disguised fear. The urbane Venezuelans, Nigerians and Indonesians who joined their Middle Eastern counterparts in the historic meetings of the Organization of Petroleum Exporting Countries (OPEC) are far from the desert oil wells. In Teheran, as in the capitals of other oil-producing countries, Iranian economists with United States or French Ph.D.'s discussed alternative ways to invest the oil receipts—in schools, dams, housing, and industrial plants. Many difficult choices had to be made. For all states except those of the Arabian Peninsula, worthwhile projects outweighed the available resources.

Each oil-producing state is committed to investing some portion of its oil resources in centrally planned development. Central planning proceeds from the assumption that economic development can be hastened by deliberate intervention in economic processes according to one of a variety of alternative development strategies. Although they often disagree about which strategies to follow, few Iranian economists question the fundamental necessity of establishing priorities for public and private investment. In addition to social services, investments in large-scale infrastructure projects (like roads, bridges, and dams) and in mineral exploitation and heavy industry are made through Iran's public sector. The government traditionally undertakes major, long-term investments that amortize slowly. Matching public funds and credit and tax policies encourage private

investors into other projects that complement Iran's national development plan.

Iran is just now completing her fifth development plan—although in actual fact Iran's economy is far from totally planned. The first five year plan was drawn up in 1953 after consultation with United States economic advisers, who have played a role in public finance policy in Iran ever since World War I. Each plan assesses needs and progress in specific areas of the economy, from communications to public health, and includes a description of projects to be undertaken during the five year planning period. The expenditures and projects projected by the plan are targets only, and include anticipated private sector activities. Revenues and expenditures are projected over the period, but when the Parliament (*Majles*) accepts the plan, it does not represent the same commitment to programs and funding as does a congressional appropriation in the United States. At the end of the planning period, there is little public evaluation of the plan.

Iran's Shah Mohammad Riza Pahlevi confidently asserts that his more than 30 million subjects will enjoy a future much like the populations of the industrialized nations. He has committed himself and his country to uneven development through rapid industrialization, using advanced technology supplied by Japan, Europe, and the United States. While this commitment is a development plan of sorts, it is a general one that is subject to debate, influence, and variation in its specific applications. It also has political objectives.

In a world of rapidly disappearing monarchies, the Shah is bent on preserving his throne against its traditional opponents, the clergy, the bazaar guilds, and many former large landowning families. Destroying the political base of these groups is an important part of his model of development. Although development plans are not political documents, they inevitably affect the power of particular groups and

TABLE 1: Inflow of Foreign Private Capital and Loans to Iran According to National Origin

	Total Inflow 1335-1350 (1956-1971)	Share As % Of Total
United States	6677	52.7
Germany	1592	12.6
Great Britain	1433	11.3
France	715	5.6
Japan	20	1.7
Others*	743	16.9

Source: Bank Markazi Iran, *Annual Reports*, 1345. and 1350, taken from V. Nowshirvani and R. Bildner, "Direct Foreign Investment in the Non-Oil Sectors of the Iranian Economy," *op. cit.*, p. 84.

* Includes mixed companies.

regions. Over the past decade, the traditional land-owning system, based upon sharecropping, and the historic guild bazaar economy have been altered by land reform, large-scale commercial farming, and modern industrial organization. In the process, less productive farming regions have been virtually abandoned; a new middle class of farmers has appeared in other regions, and, in Teheran, wealthy industrialists have attained a high standard of living.

Industrialization is only one part of the Western experience. The Shah does not intend to copy all the others. In his view, the political factionalism and lack of public order that he sees in the United States and West Europe will ultimately bring about their decline. In contrast, he believes that Iran will develop into a disciplined industrial state along the lines of her own national character—essentially national socialist in organization and capped by the monarchy.

The Shah is a consummate politician. Accordingly, his political strategies encompass both social conflict and national socialism and depend on neither. The Shah has cultivated supporters within each social class or group. Former landowners have become owners of farm corporations and partners in agribusiness enterprises. Clerical leaders have accepted the outlines of the "shah-people" revolution under which land reform took place and speak out on its behalf. Members of the traditional bazaar guilds and the industrial labor unions who are amenable to the throne have been carefully recruited to leadership positions. Lastly, the army hierarchy is based on a sys-

tem of vertical command that discourages contacts among the intermediate level officers.

The virtually personal politics that results from the cooptation system is compatible with Iran's evolving economy and, at the same time, inhibits political organization. Personal politics, for example, has frustrated government attempts to create organized, but loyal, political parties—the latest of which is the *Rastakhiz* (Resurgence) party, formed in 1976. In the area of economic planning, by concentrating on selected projects involving close cooperation between the public and private sectors, specific industrialists and agriculturalists are linked to the political network and to upper echelon technocrats in the government bureaucracy. Government-supervised parliamentary elections in 1975 brought in an unusually large group of industrialists as uneven economic development carried over into politics.

INDUSTRIALIZATION AND PUBLIC POLICY

Planned and actual investment patterns reflect a combination of political and economic interests. Foreign investors are encouraged in commerce and industry. Many commercial organizations are semi-public; a portion of their shares is owned by the government and the remainder belongs to private domestic and/or foreign interests.

Banking was the first major area for joint projects. By gaining access to credit markets, bankers could relay valuable information about investment opportunities to their customers. As bank branches were encouraged to spread through the provinces, the information networks grew more complete. The Industrial Mining and Development Bank of Iran (IMDBI) is a case in point. The IMDBI was launched in 1959 with a government subsidy, but some of its shares still are held by foreign owners.¹

Later, foreign investors moved into other areas, like industry, agriculture, merchandising, and housing.² Under the 1955 law for the Attraction and Protection of Foreign Capital Investment, the government can use tax incentives, import concessions on capital goods, and assurances against expropriation to encourage foreign investment in specific ventures. At the present time, the government offers special incentives to industries that establish plants in rural areas, hoping to increase employment opportunities in the countryside and to slow rural-to-urban migration. Exemptions from taxation of 20 to 100 percent for up to ten years apply to industries located at least 120 kilometers (72 miles) outside Teheran or 50-60 kilometers (30-36 miles) outside other major provincial cities.

The investment market is dominated by firms from Western industrialized countries and Japan (see Table 1). Iran's first steel mill was built by the Soviet Union, but direct investments from the U.S.S.R

¹ Vahid F. Nowshirvani and Robert Bildner, "Direct Foreign Investment in the Non-Oil Sectors of the Iranian Economy," *Iranian Studies*, vol. 6, nos. 2-3 (1973), pp. 66-109.

² Since the oil boom, even representatives of educational institutions are sharpening their entrepreneurial skills, eager to land training contracts. When two United States university administrators met inadvertently over breakfast at a Teheran hotel recently, one of them observed, "I didn't know you were working this territory, too." One of the few legal limitations on foreign investment is that it may not be made in areas that are not open to domestic investors.

TABLE 2: Sectoral Contributions to the Gross Domestic Product at Constant Prices, at the End of the Third, Fourth and Fifth Plans* (percent)

	1346 (1967)	1351 (1972)	1356 (1977)
1. Agriculture	21.0	16.6	12.5
2. Oil	24.0	25.4	26.3
3. Industry and Mining	20.0	20.0	23.2
4. Services	35.0	38.0	38.0
Gross Domestic Product	100.0	100.0	100.0

Source: Iran, Plan and Budget Organization, *Iran's 5th Development Plan 1973-78: A Summary* (June 1973).

and East Europe are limited—more tokens of the Shah's foreign policy aims than of competition in the investment market. Nor have industrializing countries like India been able to acquire as large a share of Iran's investment market as they would like.

Within the government, bureaucratic controls over investment contracts are spread out over several ministries. Alternatively, the responsibility for specific projects has been shifted from one ministry to another. The agencies that participate in decisions about foreign investments in housing, for example, are: the Plan and Budget Organization, the Ministry of Housing and Urban Development, and, finally, the Ministry of Industry and Mines. Contracts are usually arrived at by tendered bids. However, the dismissals of some Iranian officials for accepting bribes (in the Lockheed scandals) indicate that bids can be subject to influence. The scandals also revealed that many contracts in Iran are concluded at the highest levels of government.

The diffusion of power through the bureaucracy is an aspect of the Shah's divide-and-rule approach to politics that prevents any single organization from becoming too powerful. His strategy is buttressed by intra-agency competition and by the size of the bureaucracy. Civil service positions have been created to employ jobless university graduates, and their numbers have grown steadily along with the role of the public sector in the economy.

The government's foreign economic policies have been designed to encourage the domestic manufacture of consumer goods, and they are beginning to move in the same direction with regard to capital goods production. The process of building up domestic manufacturing is a slow one, as the figures in Table 2 indicate. Over the decade from 1967 to 1977, em-

phasis was, in fact, placed on public investment in infrastructure—electricity, water, roads and ports. Nonetheless, domestic manufacturers have appeared behind the protective barriers of import tariffs and quotas. By 1975, industries contributed 17 percent of the gross national product.

Foreign direct investment is important because it is often the only way developing countries can acquire advanced technology and the techniques of industrial organization. Most investment contracts with foreign companies make some provision for putting Iranians into positions of operational responsibility eventually. In the short run, however, rapid industrialization is a very costly proposition in the current "seller's market" for technology and skilled labor. Those who realize the greatest short-term benefits from protective trade policies are the investors who enter the market for domestic industrial products and who enjoy virtually monopolistic advantage. Many foreign investors are in just such a position.³

The distribution of income in Iran also is affected by the process of industrialization. A group of wealthy industrialists has been created, and there is a growing skilled labor elite. The differential between the wages of skilled and unskilled laborers is anywhere from 3:1 to 30:1. Worker profit-sharing schemes in industry are gaining momentum in the larger industrial units and promote greater inequality. Finally, social security and social services are being made available to industrial workers but are not available (or are less available) to other workers. The result of these combined policies is expected to be the creation of a group of financially secure laborers who have a stake in the continued economic and political stability of the country.

Agricultural policies in Iran assume an early and successful industrialization process. Mechanized farming is encouraged. At the same time, self-sufficiency in food has a low priority.

In several provinces, the landscape is dominated by agribusiness and commercial farming. Agribusiness appeared in Iran well before the land reform program got underway in 1962. During the 1930's, Reza Shah, father of the present monarch, installed irrigation systems and mechanized "crown" lands in the northeastern Gorgan plains. Roads were built from provincial markets into the farmland and tractors and combines were imported through the government Agricultural Office.⁴ After these initial investments in the crown lands, other families began to enter into large-scale mechanized farming, including a number of government officials. Cotton was the major crop in Gorgan, and ginning factories were set up in the towns.

In the mid-1950's, many of the same Gorgan businessmen or their sons were still influential in government circles. When David Lilienthal, architect of the

³ Demand for imported technology is increased by the patent laws that prevent imitation. Such imitation often occurs anyway, but still foreign investors are able to levy surcharges for technical services.

⁴ Crown lands were the Shah's personal property. The Agricultural Office was a public agency that much later (1952) became an organ of Plan Organization.

United States Tennessee Valley Authority, proposed to develop southwestern Khuzistan, his suggestion received strong support.

Lilienthal planned to coordinate hydroelectric plants, irrigation, crop production and experimentation and petrochemical industries. According to legislation passed in 1968, development of the state land below the new dams was preserved for joint Iranian and foreign private enterprises.⁵ Most foreign investors who have participated represent American firms—including Shell, First National City Bank, Chase Manhattan, Bank of America, John Deere and Dow Chemical.

By 1976, 20 years after the original proposal, only one dam had been completed. This dam irrigates over 40 thousand acres, many of which have been planted in sugar cane. However, a number of investors who had gone into Khuzistan as recently as 1970 and 1971 have already pulled out.

Several problems arose. First, the costs of running the farms were even higher than anticipated. The wages of farm laborers were low—roughly \$1.80 an hour for men and \$1.40 an hour for women. But wages were only one part, and a small part, of the costs. Reclaiming the salty and dry land was even more expensive than anticipated. Furthermore, the large areas within one farming unit required high levels of mechanization. The estimate of the economics of farm size places the lowest average economical size at about 640 acres (based on California's San Joaquin Valley).⁶ In Khuzistan, agribusiness farm size ranged from 10 to 20 thousand acres.

Economic considerations were only partly responsible for the investor's withdrawals. Many—like Dow, John Deere, and Shell—were also involved in other ventures in Iran. Their response to the investment opportunities in Khuzistan was motivated as much by their desire to earn good will as by their expectation of the potential profits. At a time when foreign investors were politically suspect, most of them tried to show their interest in the development of Iran's economy by making at least symbolic investments in several sectors.

Despite the mixed experience with agribusiness in Khuzistan, it continues to receive support from the Water and Power Authority, the Agricultural Development Bank, and the private Iranian investors who bought out the United States firms. The Khuzistan

Water and Power Authority was set up to coordinate the various parts of the Khuzistan project, and it carries considerable weight in development decisions.

While agribusiness has been important in Iran in recent years, a far larger proportion of agricultural lands is still farmed by individual small landholders, contractual sharecroppers, cooperatives, and farm corporations. Land reform and the extension of agricultural credits through the cooperatives have only begun to meet the needs of farmers in these sectors.

Generalizations about agriculture can be misleading. The quality of agricultural land in Iran varies considerably from the deserts of Sistan and Baluchistan to the perennially wet slopes of the Alborz mountains, facing the Caspian Sea. Incomes from farming vary correspondingly—from a low of \$8 per year on the poorest lands of Baluchistan to \$576 in Gilan, Azerbaijan, and Mazandaran. In view of such variations, one of the most difficult decisions that confronts government planners is whether to invest in productive regions where investments yield relatively high returns or in poorer regions where income is low. Especially in food-deficit countries, like Iran, private and public credit gravitates toward productive regions.

Man-land relationships also vary. Between 40 and 50 percent of those engaged in agriculture in Iran are landless. As incongruous as it may seem, land reform may lower the proportion of the agricultural labor force that has land rights. The plots allocated to former sharecroppers are often so small that they are not economically viable. Indebted farmers sell out and lands are again consolidated. In addition, land reform is almost always accompanied by mechanization, which makes it possible for one family to cultivate more land than before. Thus, sharecroppers and laborers are displaced. In recognition of the problem of landless laborers, explanations of the high rates of rural-to-urban migration in Iran focus on the declining opportunities in agriculture rather than on the "lure of the city's bright lights." Many Iranian peasant families wish their sons would return to the villages with modern farming know-how.

The nearest approximation of that hope are the youth corps—Health, Literacy, and Rural Development—which young Iranians may join as an alternative to the obligatory military draft. However, the

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⁵ F. R. C. Bagley, "A Bright Future After Oil: Dams and Agro-Industry in Khuzistan," *Middle East Journal* 30, 1 (Winter, 1976), pp. 25–35; MERIP REPORTS, 43 (Washington, D.C., Middle East Research and Information Project, 1976):

⁶ The estimate and much of the other information about the Khuzistan experience is taken from "Land Reform and Agribusiness in Iran," *op. cit.* The project succeeded in increasing agricultural outputs, however. One sugar cane factory at Haft Tappeh was producing the world's highest yields in 1971.

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"To a large extent, Sadat's foreign policy has been shaped by economic considerations," notes this specialist, who concludes that "in 1977, the economic indicators will tell us a great deal about the political condition of Sadat's Egypt." Meanwhile, however, "Sadat . . . controls the instruments of power and enjoys widespread popularity."

The Egypt of Anwar Sadat

BY ALVIN Z. RUBINSTEIN

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RELENTLESS economic problems preoccupied Egypt's President Anwar Sadat in 1976. Extensive and resistant to ready solutions, these problems have stymied the leadership.

To a large extent, Sadat's foreign policy has been shaped by economic considerations. Several key developments may be cited by way of illustration. Sadat's abrogation of the Soviet-Egyptian Treaty of Friendship and Cooperation on March 15, 1976, and his termination of Soviet naval privileges a month later derived from his frustration over Soviet machinations during the October War and niggardliness afterward on the issue of rescheduling Egypt's debts. Egypt's dramatic turn to the United States was encouraged not only by Washington's assistance in regaining Egyptian territory in Sinai but also by the \$700 million to \$800 million in economic aid that Egypt has so far received from the United States annually. And the decision to go to war in October, 1973, was possible because of the financial support of Saudi Arabia and the Persian Gulf sheikdoms. A peregrinating President, Sadat seeks funds abroad to place Egypt's economy and political system on a sound, stable basis.

Sadat has spoken often of Egypt's problems. On September 28, 1976, at the sixth anniversary of President Gamal Abdel Nasser's death, Sadat emphasized a wide range of issues, cautioning the politically impatient not to exploit current difficulties, not to foment unrest for partisan purposes, and not to disrupt production with strikes to enhance their popularity with workers in the Cairo area. He defended his efforts to encourage the private sector and denied allegations that he was bent on dismantling either the public sector or the social accomplishments of the 1952 Revolution.

In an authoritarian system, elections are occasions for mobilizing and demonstrating mass support for the leader and for bestowing or renewing political

legitimacy on incumbents; they are not competitive contests, at least not for key posts. A national referendum or plebiscite frequently bolsters the leader's image.

Originally appointed to the post of Vice President by President Nasser in the fall of 1969, Sadat became the Acting President on Nasser's death. His formal candidature was approved by the executive committee of the Arab Socialist Union (Egypt's only legal political organization) and by the Parliament, and was confirmed by a national referendum on October 15, 1970.

Predictably, Sadat agreed to run for a second six-year term as President. Following stipulated constitutional procedure, the People's Assembly nominated him (a vote of two-thirds of the members is required) unanimously on August 25, 1976; and in a referendum held on September 16, 1976, 99.94 percent of the voters approved. Sadat was the only candidate, and there was only one question on the ballot: "Should Anwar al-Sadat be elected to another term?" One month later, he was sworn into office.

Next came the implementation of the limited political reform that Sadat had approved the previous spring. The elections for the People's Assembly held on October 28, 1976, gave the voters wider opportunity to choose among different candidates than they had had at any time after the 1952 Revolution. Thus Sadat's carefully sculptured compromise plan for modest, regulated, spoon-fed political pluralism went into effect.

In January, 1976, Sadat had established a Commission on the Future of Political Action of the People's Assembly. Relying on the commission's report, on March 14, 1976, Sadat proposed the institutionalizing of duly delegated constitutional authority within a framework that permitted individual representatives to coalesce with others who shared similar outlooks around

a platform of opinion. . . . Through these platforms more than one nucleus will emerge to be a point of attraction for a popular and mass grouping around a specific opinion or trend.

The 1953 ban on political parties remains in effect. However, within the Arab Socialist Union (ASU) three permanent "platforms" ("pulpits," in Arabic), representing the right, the center, and the left, are to be permitted. Each platform or pulpit may lobby for its ideas, disseminate its views through the media, and prepare a program and a slate of candidates for election. All platforms must function under the legitimizing umbrella of the ASU; none may impose its "opinion" on the others. According to Sadat:

This means that the ASU is the vessel and the framework, while the platforms are the actual political organizations which carry out all their political activities and programs in full freedom and submit candidates, who, if they reach [the People's Assembly], exercise their full constitutional rights.

By legitimizing "platforms," Sadat hopes to deflect the pressure for a multiparty system and to encourage the People's Assembly to function as a representative body capable of constructive criticism and useful legislative initiatives and oversight. To some extent, the upgrading of the People's Assembly has already proved useful. For example, during the debate on the budget in early 1976, the questioning of Cabinet officials resulted in important modifications of various bills. The Assembly can strengthen the process of domestic reform if it diligently oversees the operation of government ministries and alerts the President to legislative priorities.

Elections for 350 members of the Assembly (an additional 10 members are appointed by the President) were held on October 28, 1976; run-off elections were held on November 4 in constituencies where no candidates received an absolute majority in the first round. The center platform, known as the Egyptian Arab Socialist Organization, which represents the pro-Sadat establishment, won an overwhelming majority. Nonetheless, the campaign "stirred animated public exchanges on what government policy

should be—for example, on a free press and the right of workers to strike and hold public demonstrations."¹ In this sense, the experiment may have been educational; conceivably, in the course of the Assembly's five years in office, the new rules may prompt a further relaxation of presidential control over the political process.

"PLATFORMS" AND POWER BROKERS

The three platforms² that function within the framework of the ASU represent very different sectors of the Egyptian government spectrum.³ The left group—the National Progressive Unionist Rally—is led by Khalid Muhyi al-Din, often referred to as "The Red Colonel." A member of Nasser's original Revolutionary Command Council, he has long been associated with Marxist-oriented and "progressive" elements of the old Nasser establishment. Among the policies advocated by the left are closer ties with the Soviet Union, a stress on public sector investment, reliance on class struggle, and the dispatch of "volunteers" to fight in Lebanon on the side of the Palestinians.

The center platform—the Egyptian Arab Socialist Organization—includes the Prime Minister, most members of the Cabinet, key civil service officials, and the heads of the country's 26 governorates (provinces). The center supports current government policy, and its theme is gradualism and guided democracy. Adherents favor a mixed economy, with a healthy dose of private sector investment and closer relations with the Western world.

The right platform—the Socialist Liberals—is neither socialist nor liberal; it favors a return to capitalism, a greater emphasis on private enterprise, and a heavy reliance on market forces to solve Egypt's economic problems. Its chairman, Mustafa Kamil Murad (like Khalid Muhyi al-Din, a charter member of the group Nasser formed to spark the revolution), is active in the economic work of the People's Assembly. He appeals for the most part to upper middle class, professional, and religiously oriented individuals.

Sadat's lieutenants are strategically situated to carry out his policies and to maintain a firm hand at the helm during this period of political experimentation and intensifying economic uncertainty. Vice President Husni Mubarak is a former air force general. A professional military man, he is intelligent, tough-minded, hardworking, reliable, and accustomed to taking orders. Prime Minister Mamduh Salim has served as the governor of the province of Alexandria and in the Ministry of Interior. A man whose loyalty to Sadat was demonstrated in May, 1971, when the old-guard Nasserite elite attempted to unseat Sadat, Mamduh Salim is a bachelor, highly disciplined, puritanical, with an aptness for administration and a reputation for achieving results. Sadat has given him a free hand to revamp the government's

¹ *The New York Times*, October 29, 1976.

² On November 11, 1976, one week after the elections for the People's Assembly were completed, President Sadat announced that the three "platforms" would now be called political parties. The exact significance of this decision remains unclear, since the ASU will continue to exercise certain supervisory and financial controls over the new parties. Of the contested 350 seats, the Centrist group of Prime Minister Mamduh Salim won 28 seats, thus dominating the new Assembly. For the time being, only the three parties approved by Sadat will be allowed to function. The implications of the return to a multiparty system for the first time since the 1952 Revolution should become clearer during the course of the new Assembly's five year term. *The New York Times*, November 12, 1976.

³ See *Middle-East Intelligence Survey*, vol. 4, no. 4 (May 16-31, 1976), pp. 28-29.

swollen bureaucratic machinery. The Speaker of the People's Assembly, Sayyid Mar'i, Sadat's brother-in-law by marriage, is an engineer by profession and is regarded as a political moderate. In foreign affairs, Sadat is his own boss, but he relies on Foreign Minister Ismail Fahmy and Osama el Baz, the number two man in the Foreign Ministry, to oversee the implementation of his decisions.

ONE STEP FORWARD, TWO STEPS BACKWARD

Egypt's economic problems are well known: a rapidly growing population that is approaching 40 million, few natural resources, limited cultivable land, limited investment funds, bureaucracies swollen with unproductive workers, rising unemployment and inflation, illiteracy on the order of 75 percent, and an ever increasing reservoir of university-trained graduates with little prospect for professional advancement.

In April, 1974, Sadat prepared a statement of Egypt's long-term economic and social objectives. These were set forth in detail in a document called "The October Paper" to symbolize Sadat's belief that the October War had ushered in a new era for Egypt. The October Paper discusses the successes of the Revolution, including the emancipation of women, the establishment of many public sector enterprises, the Agrarian Reform Law, and advances in education and other social services. It candidly identifies some of the shortcomings in Egypt's existing economic structure: bureaucratic inefficiency, large-scale underemployment in the public sector, and excessive, often arbitrary, interference by government ministries in the operation of the economy. Finally, the paper calls for a change in the philosophy of planning and in the implementation of government policy. Decentralization and regionalism, not further centralization, are termed essential, as are efforts to make Egypt's administrative machinery responsive to innovation and to interested foreign investors. These tasks have proved difficult. Just how difficult may be judged from the experience of an acquaintance of this writer's.

The Egyptian government's drive to modernize its administrative structure, to streamline (relatively speaking) the management of public sector enterprises and to improve the training of top and middle level administrators suffered a heavy loss with the sudden death in August, 1976, of Fu'ad Sharif, the Minister of State for Cabinet Affairs and Administrative Development. His career reflected, in microcosm, the ebb and flow of Egypt's development prospects and the ambivalence of highly competent, internationally respected Egyptian technocrats toward the government.

In the mid-1960's, Fu'ad Sharif, then in his early forties and already recognized as an outstanding econ-

omist, left Egypt to work for the United Nations. He was disillusioned by Nasser's mindless politicization of the programs for generating a rational and sustained approach to the country's economic and social problems and was frustrated by the ineptness of ministerial officials, among whom were former colleagues who had risen to positions of power in the fields of planning and development on the basis of political accommodation, not professional competence.

For a decade, Sharif worked on United Nations programs aimed at raising the level of managerial efficiency of public enterprises in third world countries. In the process, he acquired an international reputation. In 1974, Sadat tried to persuade him to return to Egypt. Sharif found Sadat's ideas for reform appealing but declined because he was not sure he would receive support from Abd al-Aziz Higazi, an economist who was then Prime Minister. A little more than a year later, Sharif returned to Egypt, convinced of Sadat's determination and impressed with the carte blanche offered by Prime Minister Mamduh Salim, who had taken office in April, 1975. Sharif's return was interpreted as a sign of the government's commitment to reform. A new Cabinet post was created, and Sharif began to organize workshops in all the governorates for officials and public sector managers. He worked indefatigably until the day of his death, and his shoes will not easily be filled.

Sadat's critics and those who may secretly wish or plot his downfall emphasize his drastic changes in foreign policy: the close ties with the United States at the expense of friendship with the Soviet Union; the special relationship with Saudi Arabia and the concomitant alienation of Libya; the quarrel with Syria over how to treat Israel; the lack of militancy in espousing the Palestinian cause; and the de-emphasis on pan-Arabism. However, in the final analysis, Egyptian opposition to Sadat derives primarily from issues that relate to Egyptian internal developments.

Assessing the intensity of disaffection and economic grievance is difficult in an authoritarian society. One criterion is humor. Prior to the October War, political jokes in Cairo were bitterly anti-Nasser and mockingly anti-Sadat. Now, however, jokes are rarer and tend to dwell on economic woes. The following story recently made the rounds:

A worker seized Sadat by the arm while he was

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Alvin Z. Rubinstein, one of *Current History's* contributing editors, is the author of a number of books on Soviet and Communist affairs. He is the editor of *Soviet and Chinese Influence in the Third World* (New York: Praeger Publishers, 1975). His most recent book is *Red Star on the Nile: The Soviet-Egyptian Influence Relationship Since the June War* (Princeton: Princeton University Press, 1977).

In Israel, "the year 1977 will mark the shift from a time of tranquility to the crucial stage of hard decision on the settlement of the Arab-Israeli conflict."

Israel's Time of Tranquility

BY BERNARD REICH

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THE SINAI II agreements of September, 1975, marked the beginning of a period of relative tranquility for Israel, providing a respite from the pressures of the October War and its aftermath, in which Israel's international position deteriorated and her domestic political and economic systems were strained.¹

Sinai II assured Israel of relative quiet on her southern frontier. Israel believed, and many Arabs agreed, that Egypt had been effectively neutralized in the military conflict—that she had been detached from the confrontation with Israel. Underlying this view was the feeling that Arab military prospects vis-à-vis Israel were significantly reduced without Egyptian participation. This view gained credence when, in February, 1976, Egyptian President Anwar Sadat suggested that there were limits to Egyptian participation in military conflict with Israel.² Egypt's reconstruction in the Suez Canal zone and the return of civilians to that area was a positive accomplishment. The early-warning system in Sinai worked successfully, with the United States perform-

ing its role, and there was a general relaxation of tension in the Sinai sector. This achievement was viewed positively within Israel despite some essentially technical Egyptian violations. The Israeli government hailed the agreement as a significant step away from war and toward peace.³

In the north, Israel's relations with her neighbors also improved. The civil war in Lebanon brought a reduction in terrorist actions and a general calm along the frontier. Later, tacit links developed between Israel and Lebanon, when Lebanese civilians needing medical attention came to the Israeli border for Israeli medical care, in part provided in mobile medical clinics. Israel also purchased Lebanese commodities (e.g., tobacco), gave permission for some Lebanese to work in Israel, and permitted some family reunions across the frontier. Israelis hoped that this "open fence" policy would have a positive influence. There were also reports that Israel was providing military equipment to Lebanese Christian forces, especially in southern Lebanon,⁴ and that she had increased her patrols in the southern Lebanon sector known as Fatahland.⁵ Meanwhile, peace was maintained along the Israeli-Jordanian border and civilian crossings of the Jordan River continued.

Some openings along Israel's border with Syria were also reported, as Druze families separated by the frontier line were permitted limited and controlled meetings under an arrangement involving Israel, Syria and the United Nations. Military clashes were replaced by limited peaceful encounters along Israel's borders with each neighboring Arab state.

The calm along Israel's frontiers was accompanied by significant shifts in regional politics and alignments and in the changed position of the major extra-regional powers, which further contributed to the stability of the situation for Israel.

Preceding but coincident with Sinai II was the development of the civil war in Lebanon and its

¹ For detail see Bernard Reich, "Israel Between War and Peace," *Current History*, vol. 66 (February, 1974), pp. 49ff.; and Bernard Reich, "Change and Continuity in Israel," *Current History*, vol. 68 (February, 1975), pp. 58ff.

² See Sadat's press conference in Kuwait, as broadcast on Cairo Radio, February 29, 1976.

³ Israel's Cabinet saw the agreement as a significant accomplishment and reaffirmed its support of this positive assessment on the anniversary of the accord. See the Cabinet communiqué following its meeting of August 29, 1976, and Prime Minister Yitzhak Rabin's interview on Israeli television's "Mabat," August 29, 1976, and in *U.S. News & World Report*, August 30, 1976. The government was continually criticized by the right-wing opposition, which argued that the Rabin government was being lulled into a false sense of security like that which preceded the October War and that increased vigilance was essential. It suggested that Egypt's constant and serious violations of the accord were being ignored by the Israeli government.

⁴ See, for example, *The New York Times*, September 17, 1976, October 3, 1976, October 8, 1976.

⁵ See, for example, *The New York Times*, August 3, 1976.

accentuation and intensification of some inter-Arab rivalries. The Arab world, which had been "united" by the 1973 war and the victory that followed, came "unglued," with a series of conflicts and internal squabbles, some of which were unrelated to the situation in Lebanon (like the Sudan-Libya clash over an attempted coup against the Sudanese President). Perhaps most significant of the inter-Arab changes was the deteriorating position of the Palestinians, and especially their primary representatives, the Palestine Liberation Organization (PLO), despite its achievement of full membership within the Arab League. In Lebanon, the PLO suffered a crippling military defeat, a curtailment of its political power, and a sharp decrease in its influence in Lebanese, inter-Arab and Arab-Israeli events. Pressures on Israel to deal with the PLO consequently lessened, at least in the short run. The Arab world's preoccupation with Lebanon provided a respite for Israel in military and paramilitary operations and in the diplomatic sphere.

Changes in the role and position of the major extraregional powers also affected the situation. In the wake of the October War and the successes of United States Secretary of State Henry Kissinger's shuttle diplomacy (which precluded Soviet participation), Soviet influence declined substantially, thus reducing the Soviet potential for destabilization in the area. The reduced Soviet influence was symbolized by Sadat's formal rupturing of the Soviet-Egyptian treaty of Friendship and Cooperation of May, 1971, and Egypt's turning to the West for arms and other assistance. At the same time, Syria increasingly clashed with the Soviet Union over the situation in Lebanon; and Syria's independent actions indicated her willingness to separate herself from Soviet influence.

These regional developments reflect substantial policy changes. Only two years earlier, a concerted and coordinated Arab effort, backed by the Soviet Union with rhetoric and political support if not with actual military force, had dealt Israel's strategic position and her diplomatic standing a severe blow. The Cairo-Damascus military effort and the Cairo-Riyadh economic oil effort downgraded Israel's position. The net result of the 1973 war was an "earth-

quake" in the Israeli system, which left her defensive and uncertain. The Israeli government came under pressure from many quarters to make concessions and to take risks to move toward a settlement. Israel was isolated; among the major powers only the United States was a dependable supporter and even that ally was of uncertain value. Today, Israel's security has been strengthened by Arab disarray and by the decrease in Soviet influence and posture in the region. The Soviet position, growing since the mid-1950's, has been seriously eroded, leaving the United States as the significant power in the region.

The deterioration of the Soviet position coincided with a significant improvement in the United States role. In the wake of the October War, the United States emerged as the indispensable power in any effort to achieve an Arab-Israeli settlement and the primary power in the foreign policies of Israel and Egypt.⁶ The United States was Israel's primary military supplier and an emerging provisioner of aid to Egypt. Without the United States, there would apparently be no movement toward a settlement.⁷ The quadrennial United States elections of November, 1976, thus provided a benchmark. Until those elections, the inauguration of the President, and the organization of the administration to deal with the Arab-Israeli conflict, there would be little perceptible movement. This provided Israel a period of respite.

DOMESTIC FACTORS

The calm regional and international environment was not reflected inside Israel. Despite some respite from the intense anti-government protests on the Arab-Israeli situation that had become a hallmark of negotiations leading to Sinai II, tranquility did not prevail in the domestic political, economic and social sectors.

Israel continued to face severe economic pressures. The October War had been costly—there were the expenses of waging combat and meeting other war-associated needs—and after the war, defense expenditures continued at a high level.⁸ Austerity budgets were adopted. A program of continuous small devaluations ("mini-devaluations") of the Israeli pound was established to make imports more expensive and hopefully less attractive in an effort to reduce foreign currency drains and imbalances in the balance of payments. Taxes were increased and restructured to increase government revenues and to maintain individual incentive. At the same time, the government reduced subsidies on basic foodstuffs like bread, milk and eggs, which led to increased costs of goods and services for most consumers and an increased cost of living. Inflation continued at a high rate, estimated to be as much as 30 percent in 1976, although unemployment remained low, about 3 percent.

⁶ For further elaboration of the United States role in the wake of the October War see Bernard Reich, "United States Policy in the Middle East," *Current History*, vol. 70 (January, 1976), pp. 1ff.

⁷ Thus, for example, President Sadat noted that he agreed to the Sinai II agreement and that it would be renewed for at least another year because in 1976 the American elections would preclude movement toward a settlement. See Sadat press conference, Alexandria, September 1, 1975, in Department of State Press Release, No. 459, September 1, 1975 and *Al-Jumhuriyah*, February 21, 1976.

⁸ Defense expenditures for 1976 were estimated at about 35 percent of GNP, the highest level for any state.

Israel also faced a reduction in the population growth rate and diminished immigration. It was reported that in 1975 emigration nearly matched immigration; government figures indicated that 18,500 Israelis had emigrated and 20,000 newcomers had arrived, of whom about 8,500 were from the Soviet Union (compared to 31,970 immigrants in 1974 and 58,886 in 1973).⁹

Israelis were also worried about the increasingly politicized Arab minority. Israel's Arab population of 450,000—the Arabs who did not flee from Israel during the 1948–1949 Arab-Israeli war—had long enjoyed legal equality, had participated in parliamentary elections and in local government, and had their own state-supported educational and religious institutions. But below the surface equanimity, Israeli Arabs were discontented with a perceived second-class status resulting from various forms of subtle discrimination.

In the spring of 1976, Israel's Arabs participated in their first general protest and staged the most violent demonstrations in Israel's history. The riots, whose extent and ferocity were surprising to Israeli Arabs and Jews, grew out of a general strike, centered in Nazareth, which was called to protest land expropriations in Israel's northern section. The government had adopted a five year plan to increase the number of Jewish settlers in the Galilee and had expropriated lands, some of which were Arab-owned. The Arabs protested that, despite compensation, their land should not be expropriated to provide land for Jewish settlers. The expropriation served as a catalyst; the initial demonstrations escalated and eventually became broader and more general in their focus, incorporating complaints about Arab second-class status. In the ensuing violent clashes with Israeli security forces, some demonstrators were killed.¹⁰

Other issues were soon added, among them the leaking of a confidential report by an Interior Ministry official in the fall of 1976, which suggested ways of curbing the growing number and influence of Israeli Arabs in the Galilee region. Although this proposal ran counter to official Israeli policy, it increased Arab anxiety and touched off further demonstrations.

Meanwhile, a coalition government under Prime Minister Yitzhak Rabin continued to control the government by a narrow margin. After her resignation in 1974, Rabin replaced Golda Meir by narrow margins in the Labor party's central committee and in the Knesset. The weakness of the Rabin government encouraged rivalry and bickering on a host of

matters with Defense Minister Shimon Peres and with Foreign Minister Yigal Allon, although the three constituted the government's negotiating team in foreign affairs.

In time, Rabin's hand and the position of his government grew stronger. The accession of the NRP (National Religious party) to the government in the fall of 1974 was an important factor despite the withdrawal of the Citizens' Rights Movement. Rabin also gained public support when he opposed Henry Kissinger in March, 1975. This later allowed him to respond positively to Kissinger's Sinai II initiative and to attract important political and diplomatic support, economic aid and arms for Israel from the United States. Despite an improving image and an apparent return to "politics as usual," Rabin was able to muddle through, partly because there was no alternative, especially just before the increasingly crucial 1977 elections. Peres and Allon tended to check one another; the opposition Likud was stalemated; and no alternative candidates seemed to emerge.

The debates on Israel's political future between the parties and within the Labor party became more intense as external issues became less pressing; thus attention was diverted from external threats to more mundane domestic politics. Among the more significant issues was the debate over the future of Jewish settlements in the occupied territories, especially in the West Bank. This became a political-religious question, and the settlers were backed by the religious parties, the Gush Emunim militants and others with a strong nationalistic bent. Cabinet and popular debates on the future of the settlements tended to split political parties and the governing coalition and further exacerbated the so-called hawk-dove split within the Israeli system.

Nonetheless, despite the importance of political, economic and social issues, a new feeling of optimism and security was generated in Israel by the relative tranquility on Israel's borders. Contributing to this was the improved position of the IDF and its restored status. Before the October War, Zahal (the Israel Defense Forces, IDF) was a major element in

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⁹ Israeli government statistics, reported in the *Washington Post*, January 6, 1976.

¹⁰ See, for example, *The New York Times*, March 31, 1976, and April 1, 1976.

"The inherent contradiction between the national aspirations of Arabs and Israelis over the years stemmed from an ignorance of Arab needs on the part of the Israelis and from a lack of understanding of Israeli nationalism on the part of the Arabs," notes this specialist, who concludes that today "A new equilibrium has been shaped, based . . . on mutual needs and mutual vulnerability."

Psychological Dimensions of the Arab-Israeli Conflict

BY ALON BEN-MEIR

Author, *The Middle East: Imperatives and Choices*

A MOST IMPORTANT aspect of the Middle East dispute has been each side's lack of understanding of the other's emotional and psychological needs.* The political and territorial disputes that have characterized the Arab-Israeli conflict since 1948 resulted in part from basic psychological differences. Each side's misapprehensions of the other's motives and actions have prolonged the hostility, impaired diplomatic efforts and made the dispute appear irreconcilable.

Two thousand years of persecution culminating in the Nazi holocaust contributed immeasurably to Jewish thinking and behavior after World War II. A generation motivated not only by long held religious ideals but also by a newly reasserted national pride directed its energies toward building a Jewish state that would finally put an end to the persecution of Jews.¹

The creation of Israel was based on several fundamental principles that Israelis deemed nonnegotiable. Palestinian territory alone could provide a site that would be historically, culturally, and religiously meaningful. Palestine, or Zion, was the source, the birthplace of Jewish culture and faith, the land where God first appeared to the Jews, the land where

the first and second temples were erected.² No other land, it was felt, could offer them the same kind of haven from harassment and the recovery of a lost heritage.

Although the Arabs do not deny in principle the historical, cultural, and religious relationship between the Jews and Palestine, they maintain nonetheless that the founding of Israel was based on the Western guilt feeling for the persecuted Jews, especially after the Nazi experience, and the Western powers' desire to implant an "imperialistic tool" in the midst of the Arab nations for long-run political expediency. Whether it was a guilt feeling on the part of the Western countries or a Jewish "historical right," or otherwise, the existence of a growing, thriving Jewish community in Palestine could not be denied.

Since 1948, when the state of Israel was born, Israelis, natives and immigrants, have felt themselves living in a state of political and geographical isolation. During this period, Israel has been mobilized as if for a permanent state of war. The heavy loss of lives and resources as a result of the four wars (1948, 1956, 1967, and 1973) and other intermittent military operations deepened the psychological and socioeconomic gap between Israel and the Arab states that surround her. Against the background of the Nazi holocaust, this sense of isolation intensified and gave rise to a pessimistic solitary philosophy that is a chief characteristic of the Israeli way of thinking.³

When the images cast upon the dark mirrors of the mind at a very crucial early stage were those of a veritable Dantean hell, it was a hell that included extermination of one-third of the Jewish people. The Nazi holocaust caused the destruction of the very same Eastern European world against which the early pioneers had staged their original rebellion, but to which, nevertheless, Israel became both outpost and heir. There is a latent hysteria in Israeli life that stems directly from this source. It accounts for the prevailing sense of loneliness, a main char-

* This article is based on excerpts from Chapter 1 in Alon Ben-Meir, *The Middle East: Imperatives and Choices* (Mount Vernon, N.Y.: Decalogue, 1975). Copyright © 1976 by Alon Ben-Meir.

¹ Amos Elon, *The Israelis: Founders and Sons* (New York: Holt, Rinehart & Winston, Inc., 1971), p. 267.

² The first and second temples are considered by the Jews to be the holiest of the holy temples. Both were located where today's Wailing Wall stands in Jerusalem. The Wailing Wall is actually one of the external walls of the second temple. The first temple was destroyed by the Babylonians in 586 B.C. The second temple, built 70 years later, was destroyed by the Romans in the year 70 A.D. For Jews everywhere, the Wailing Wall, which came under Israeli control in 1967, is as holy as the temples themselves.

³ Elon, *op. cit.*, p. 278.

acteristic of the Israeli temper since independence. It explains the obsessive suspicions, the towering urge for disaster to happen. It explains the fears and prejudices, passion, pain and pride that spin the plot of public life and will likely affect the nation for a long time to come.⁴

These psychological and emotional factors gave a tenacity to Israel's stand in its more than a quarter-century of confrontation with the Arab nations. "How can we be expected to negotiate away our past?" the Israeli leaders inquired. "Our future cannot be envisioned from a vacuum; our entire existence began in Palestine and proceeded from there; there can be no future for Jewish life without the past which is the foundation of our religion and cultural heritage."

Jewish nationalism is based on the fulfillment of religious, psychological and emotional needs. The creation of the state of Israel was the concrete political expression of that nationalism.

Most Arab leaders seemed unable to comprehend or accept the emergence of this Jewish nationalism. Until the early 1920's, the Arabs had generally treated the Jews kindly and tolerated their religious differences. Yet most Arabs tended to view the Jews in Palestine as an inferior racial minority with no political thrust or ambition.

For close to 1,400 years, the Middle East has been preeminently the spiritual center of the Islamic world, the birthplace of the Muslim faith where the civilization of Islam reached its classical formulation. Although the political and administrative unity of the Arab empire was destroyed over the centuries through repeated invasions and internal dissent, the religious and cultural unity of the Arab world has been maintained. The Arab domination of the Middle East has, in effect, never ceased, and Arabs as well as Jews can and do claim historical, moral, and legal rights to Palestine.

Sharing similar Semitic origins, Jews and Arabs have by and large existed side by side for generations. Indeed, when the idea of building a Jewish home in Palestine was first seriously contemplated, neither the Jews nor the Arabs envisioned any violent confrontation. Despite sporadic anti-Jewish violence, many Jews who lived in Arab countries viewed the entire Middle East as one Islamic entity, as did the Arabs, and therefore believed that they had the right to live in the place of their choice within the region. They naturally chose the birthplace of their ancestors which is Palestine.

Unlike the Jews, the Arabs were not homeless and landless, and they had not been systematically and methodically persecuted over the centuries. The Jews had come to the bitter realization that until they had a country of their own, they would always

be considered strangers and beggars in their respective host countries.

Showing lack of foresight, the Zionist leadership, headed by Theodor Herzl, ignored what it considered to be the "Arab problem." Zionist leaders were certain that the indigenous Arabs would receive the Jews with open arms. After all, they assumed, Jewish settlement in Palestine could only benefit the Arabs, and that harmony and cooperation would prevail.

Zionism was as much a product of the new age of nationalism as was its Arab protagonist. The clash in Palestine was not between native and colonialist in the ordinary sense, but between two nationalist movements. Both were in their own way "right" and "natural." The fault, if there was one, lay less with the men directly involved on both sides than with the new world of ferociously hostile nation-states in which they lived. If men had higher aims, there would have been no Palestine conflict, nor, probably, "Jews" and "Arabs."⁵

Yet the national aspirations of both the Arabs and the Israelis were slowly taking shape; for the Jews, the goal was a national home in Palestine; for the Arabs, the goal was national independence in the same land. Clashes between the growing Jewish settlement and the native Arab community were inevitable.

EXCLUSIONISM

Arab hostility toward the Jews, which intensified after the early 1920's, prompted the Jews to concentrate more and more on their own economic and social welfare. The better-educated and the better-skilled Jews put their knowledge into practice; within a few years the old traditional saying from the diaspora—"We have come to Zion to build and be built"—became a reality. The Zionist leadership emphasized what was termed "Hebrew labor," which, *ipso facto*, excluded Arab labor from all Jewish enterprises.

For at least four decades prior to the establishment of the state of Israel in 1948, the Arabs in Palestine and those Arabs who surrounded Palestine consistently refused to acknowledge or accept the Jewish right to exist as a separate political entity in Palestine. In response to this uncompromising stance, the Jews began to solidify their position by slowly separating themselves from the Arab community. Educational and social exclusion followed economic exclusion, each of which gave impetus to greater hostility and a deeper sense of distrust between the two communities.

THE PARTITION AND THE REFUGEES

By 1947, the decades of intensified hostilities had reached a decisive point. The United Nations decision of November 29, 1947, to partition Palestine, which included most of the Negev, a narrow stretch along the Mediterranean coast, and a number of parcels

⁴ *Ibid.*, pp. 259-260.

⁵ *Ibid.*, p. 175.

of land on the northeast along the border of Syria and Jordan, as had been recommended in principle by the Peel Commission 10 years earlier, was immediately rejected by the Arabs. The Arab rejection of the partition plan was based primarily on political, nationalistic, and territorial reasons. Psychologically, the partition symbolized another Jewish victory over the Arab "might." The resulting atmosphere of incomprehension, shock, and disbelief gave rise to the bloodiest confrontation yet between the Arabs and Jews.

Despite cease-fires in June and July, 1948, fighting continued until February 24, 1949, when Israel and Egypt signed armistice agreements, and Israel signed similar pacts with Jordan, Lebanon and Syria. The War of Independence left thousands dead on both sides.

However, a new tragedy with far-reaching consequences was beginning to unfold. Within weeks of the beginning of the war, more than 600,000 Arab refugees fled to Jordan, Syria, Lebanon, Iraq, Egypt, the West Bank, the Gaza Strip, and in much smaller numbers to other Arab countries, adding a new and important dimension to the Arab-Israeli crisis. Whether the mass departure of the Arab Palestinians was prompted by the Jews in order to obtain more territory or secure borders, or whether it was encouraged by the Arabs in order to promote a world reaction, these questions remain without a definitive answer. Nevertheless, the refugee problem added another complication to the Arab posture toward Israel.

As far as Israel was concerned, the mass exodus was a direct result of the Arab states' invasion, without which no refugee problem would have been created. Thus Israel felt morally and legally exempt from any obligation toward the Palestinian refugees.

For the Arabs the refugees were a mark of disgrace and infamy which gave impetus to their consistent refusal to assume any responsibility for the refugees' fate. The refugee problem was to plague all sides in the Middle East maelstrom, providing the momentum for the three wars that followed, and eventually giving birth to the Palestinian resistance movement (fedayeen).

INJURED PRIDE

The humiliating 1948 defeat of the combined Arab armies of Egypt, Syria, Lebanon, Iraq, and Jordan shattered any hope of a psychological reconciliation and understanding between the two camps. Arab suspicion, hatred, and fear of the Israelis were now buttressed by matters of pride, honor, and national dignity.

Just as the Arabs failed to understand the psychological motivation behind Jewish nationalism, especially prior to 1948, Israel also failed to appreciate Arab psychological needs, particularly after 1949.

Diplomatic efforts to achieve a peaceful settlement between the Arabs and the Israelis through the United Nations between 1948 and 1956 were all in vain. The Israelis were clearly unwilling to modify their position in any way through negotiation or otherwise, and the Arabs were similarly unwilling to compromise their pride. That is not to say that the question of pride was the only problem between the Arabs and the Israelis. Political and territorial differences were the main issues, yet they were given secondary importance. The crushing Arab defeat in 1948 made questions of pride, national dignity, and honor assume such a formidable role that nothing else seemed to matter to the Arabs.

The internal rivalries, political instability, and turmoil that engulfed the Arab states in the years following 1948 only contributed to their psychological hysteria in regard to Israel. No Arab nation was willing to assume the responsibility for what was termed a "national calamity." The blame and the responsibility for the military defeat and for the creation of the state of Israel were shifted to the Western powers, mainly Britain and France. Meanwhile the Arab masses were told to prepare themselves for the "day of judgment" when the Israeli state would be liquidated.

Britain and France were cast as the imperialist powers that had the mandate over most of the Middle East states. England was blamed for the Balfour Declaration of 1917, with France as an accomplice. The immediate recognition of the state of Israel by Britain and France was taken by the Arabs as supporting evidence that Israel was just a tool in the hands of the imperialists. The Soviet Union's immediate recognition of the state of Israel was not viewed by the Arab states as having any special significance because Britain and France were playing the main roles at the time in Middle East political affairs.

The Israelis were jubilant about the outcome of the War of Independence of 1948-1949. They justified keeping additional territories beyond the United Nations partition lines by pointing out that it was the Arab states who declared war in the first place. And the Israelis were unwilling to assume any moral or legal obligations toward the Arab Palestinian refugees.

MASS INDOCTRINATION

The Arabs' national pride compelled a rationalization and justification for the setbacks in terms that

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BOOK REVIEWS

ON THE MIDDLE EAST

ISRAEL DIVIDED: IDEOLOGICAL POLITICS IN THE JEWISH STATE. BY RAEI JEAN ISAAC. (Baltimore, Md.: The Johns Hopkins University Press, 1976. 227 pages, selected bibliography and index, \$10.95.)

After the June War in Israel, two extremist movements developed and affected the internal debate on foreign policy: the Land of Israel Movement and the Peace Movement. Isaac's treatment of the origins, aims, and dynamics of these two movements is impressive, with information about Israel's borders, national purposes, and social-political institutions.

Alvin Z. Rubinstein
University of Pennsylvania

IN THE ANGLO-ARAB LABYRINTH: THE MCMAHON-HUSAYN CORRESPONDENCE AND ITS INTERPRETATIONS 1914-1939. BY ELIE KEDOURIE. (New York and London: Cambridge University Press, 1976. 330 pages, works cited and index, \$32.50.)

The availability of the British Foreign Office records of World War I has enabled Elie Kedourie to provide us with new insights into British-Arab relations during the 1914-1920 period. The work of a distinguished historian, this study will be of particular interest to specialists on the Middle East and on British foreign policy making. The scholarship is impressive.

A.Z.R.

SAUDI ARABIA AND OIL DIPLOMACY. BY SHEIKH RUSTUM ALI. (New York: Praeger Publisher, 1976. 197 pages, bibliography and index, \$18.50.)

Saudi Arabia's use of oil as a lever in diplomacy is examined historically, with particular emphasis on Saudi policy during and after the 1973 October War. The author contends that the Arab oil weapon has limited value in bringing about a settlement of the Arab-Israeli dispute. He notes that the quadrupling of oil prices in 1974 was more damaging to the poor nations than to the rich ones.

A.Z.R.

SOVIET PROPAGANDA: A CASE STUDY OF THE MIDDLE EAST CONFLICT. BY BARUCH A. HAZAN. (New Brunswick, N. J.: Transaction Books, 1976. 293 pages, index, \$22.50.)

The Soviet Union spends an enormous amount of money on propaganda to alter the behavior of specific countries and groups. This study reviews Soviet instruments and organizations. More important, it shows how Soviet propaganda is used in the context of the Arab-Israeli conflict.

A.Z.R.

OPEC: SUCCESS AND PROSPECTS. BY DANKWART A. RUSTOW AND JOHN F. MUGNO. (New York: New York University Press, 1976. 179 pages, appendices and index, \$12.50.)

This primer traces the evolution of OPEC's origins and aims and the political and economic changes in the world petroleum market since 1973. The authors believe that OPEC is a durable organization, which has lent impetus to the general problem of channeling "cumulative transfers of real income from the industrial to the oil-producing countries."

A.Z.R.

THE ARABS IN ISRAEL. BY NOAM CHOMSKY. (New York: Monthly Review Press, 1976. 314 pages, appendix, \$12.50.)

An Arab lawyer, who formerly lived in Israel, provides a detailed examination of the areas in Israeli society in which Israeli Arabs find themselves second class citizens. For example, Jews wanting to settle in Israel are given preferential treatment; Muslim Arabs are excused from military service; the socioeconomic position of the Arab minority is not equal to that of the Jewish majority; and the Arabs tend to be viewed as security risks.

A.Z.R.

ARAFAT: THE MAN AND THE MYTH. BY THOMAS KIERNAN. (New York: W. W. Norton and Company, 1976. 281 pages and index, \$9.95.)

Relying primarily on information elicited from relatives and acquaintances of Yasir Arafat, the author has patched together a readable, occasionally overly romanticized portrait of the Palestinian leader. Only 14 pages treat Arafat's rise (and decline?) since 1967, certainly a serious shortcoming. There is little discussion of Arafat's leadership qualities or his inability to bring extremist factions to heel.

A.Z.R.

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CURRENT DOCUMENTS

The U.S.-Soviet Treaty on Underground Nuclear Tests

On May 28, 1976, United States President Gerald Ford and Soviet Communist Party Secretary Leonid I. Brezhnev signed a treaty limiting underground nuclear tests for peaceful purposes, supplementing the treaty on underground nuclear weapons tests signed by Brezhnev and United States President Richard Nixon on July 3, 1974. Excerpts from the text of the May 28, 1976, treaty follow:

The United States of America and the Union of Soviet Socialist Republics, hereinafter referred to as the parties.

PROCEEDING from a desire to implement Article III of the treaty between the United States of America and the Union of Soviet Socialist Republics on the limitation of underground nuclear weapon tests, which calls for the earliest possible conclusion of an agreement on underground nuclear explosions for peaceful purposes.

REAFFIRMING their adherence to the objectives and principles of the treaty banning nuclear weapons tests in the atmosphere, in outer space and under water, the treaty on non-proliferation of nuclear weapons, and the treaty on the limitation of underground nuclear weapon tests, and their determination to observe strictly the provisions of these international agreements.

DESIRING to assure that underground nuclear explosions for peaceful purposes shall not be used for purposes related to nuclear weapons.

DESIRING that utilization of nuclear energy be directed only toward peaceful purposes.

DESIRING to develop appropriately cooperation in the field of underground nuclear explosions for peaceful purposes.

HAVE AGREED as follows:

ARTICLE I

1. The parties enter into this treaty to satisfy the obligations in Article III of the treaty on the limitation of underground nuclear weapon tests, and assume additional obligations in accordance with the provisions of this treaty.

2. This treaty shall govern all underground nuclear explosions for peaceful purposes conducted by the parties after March 31, 1976.

ARTICLE II

For the purpose of this treaty:

(A) "Explosion" means any individual or group underground nuclear explosion for peaceful purposes;

(B) "Explosive" means any device, mechanism or system for producing an individual explosion;

(C) "Group explosion" means two or more individual explosions for which the time interval between successive individual explosions does not exceed five seconds and for which the emplacement points of all explosions can be interconnected by straight line segments, each of which joins two emplacement points and each of which does not exceed 40 kilometers.

ARTICLE III

1. Each party, subject to the obligations assumed under

this treaty and other international agreements, reserves the right to:

(A) Carry out explosions at any place under its jurisdiction or control outside the geographical boundaries of test sites specified under the provisions of the treaty on the limitation of underground nuclear weapons tests and,

(B) Carry out, participate or assist in carrying out explosions in the territory of another state at the request of such other state.

2. Each party undertakes to prohibit, to prevent and not to carry out at any place under its jurisdiction or control, and further undertakes not to carry out, participate or assist in carrying out anywhere:

(A) Any individual explosion having a yield exceeding 150 kilotons;

(B) Any group explosion:

(1) Having an aggregate yield exceeding 150 kilotons except in ways that will permit identification of each individual explosion and determination of the yield of each individual explosion in the group in accordance with the provisions of Article IV of and the protocol of this treaty;

(2) Having an aggregate yield exceeding one and one-half megatons;

(C) Any explosion which does not carry out a peaceful application;

(D) Any explosion except in compliance with the provisions of the treaty banning nuclear weapon tests in the atmosphere, in outer space and under water, the treaty on the non-proliferation of nuclear weapons, and other international agreements entered into by that party.

3. The question of carrying out any individual explosion having a yield exceeding the yield specified in paragraph 2(A) of this article will be considered by the parties at an appropriate time to be agreed.

ARTICLE IV

1. For the purpose of providing assurance of compliance with the provisions of this treaty, each party shall:

(A) Use national technical means of verification at its disposal in a manner consistent with generally recognized principles of international law, and

(B) Provide to the other party information and access to sites of explosions and furnish assistance in accordance with the provisions set forth in the protocol to this treaty.

2. Each party undertakes not to interfere with the national technical means of verification of the other party operating in accordance with paragraph 1(A) of this article, or with the implementation of the provisions of paragraph 1(B) of this article.

LEBANON

(Continued from page 5)

voke the Israelis into occupying the southern portion of the country, drawing Syria into a war she did not want and could not win. As the left gained the upper hand in early 1976, therefore, Damascus gradually shifted her support to the Christian side, at the same time maintaining ties to the left in an effort to achieve a lasting truce. For a time, the Syrians may even have shipped arms to both sides. However, fear of a radical, provocative government, under the direction of an intransigent Jumblatt, apparently caused a decisive break between Syria and the Lebanese left.³⁰

Although Syria denied helping the Christians, Syrian aid slowly tilted the balance against the left. The Syrians engineered numerous cease-fires, most notably that of January, 1976, and sent units of the Palestine Liberation Army to restore law and order in Muslim Beirut and elsewhere. At every opportunity, they encouraged the Palestinians to respect the 1969 Cairo accords. When Jumblatt demanded Franjieh's immediate resignation, Syria blocked the effort by force. Syrian army regulars entered Lebanon openly in April, ousting the Lebanese Arab Army from several border posts near Israel and blunting leftist attacks against Christian strongholds in the north.

The left and some Christians reacted to these events with bitterness and confusion. Camille Chamoun declared ironically in January, 1976, that "Syria plays the role of a so-called mediator, but for us, she is an assailant who demands we surrender."³¹ Raymond Edde, the defeated anti-Syrian presidential candidate but no friend of Chamoun's, also stated that he would oppose Syrian intervention "up to the end."³² Jumblatt demanded the withdrawal of the Syrian army "so that it can . . . confront Israel."³³

A leftist statement in April suggested that Syria's goal was to "implement the American-Arab-Israeli plan aimed at the Palestinian revolution and neutralizing the nationalist movement."³⁴ Later in the sum-

mer, Jumblatt asserted that the fighting would not stop until Syria withdrew her troops. For his part, Arafat, increasingly fearful of Syrian control, accused Damascus of "bloody butchery" in Lebanon.³⁵

Syria's massive intervention on June 1, ultimately involving some 25,000-30,000 troops and 500 tanks, was designed to force the creation of a viable government and to end the war. Syrian President Hafiz Assad stated on several occasions that Syrian troops would remain in Lebanon indefinitely. The PLO was informed that it must choose between Syria and the Lebanese left. In June, a senior Syrian official called Arafat "a fool" for opposing the Syrian intervention, and in a July speech Assad, sounding like a good Phalangist, placed the entire blame for the war on the PLO.³⁶

Efforts to reach a cease-fire culminated in an agreement between the PLO and Syria on July 29. Among its provisions were commitments by both sides to encourage a dialogue among all Lebanese factions and to facilitate the establishment of a government of national unity, as well as a Palestinian pledge to adhere to the Cairo accords, by now a standard formula. The agreement was not honored, however, and Syrian negotiations with the Palestinians continued intermittently throughout the summer. After warning the left that the war would not be allowed to continue indefinitely beyond the accession of the new President, Syria opened a general offensive in late September to crush the Palestinian resistance and terminate the conflict.

GREAT POWER DIPLOMACY

The great powers reacted cautiously to the Lebanese struggle, and rightist efforts to provoke United States/Western intervention did not succeed. France, Lebanon's former colonial power, undertook several conciliatory initiatives but generally stayed in the background. Although the United States Sixth Fleet remained within striking distance of Lebanon, the United States role was limited to that of an intermediary. On two occasions, the first shortly after the murders of Ambassador Francis Meloy and counselor Robert Waring in June, and the second in July, United States ships evacuated American and other foreign nationals, but military force was not employed. The primary United States interest was to forestall the outbreak of a general Middle East war. On numerous occasions, for example, United States Secretary of State Henry Kissinger warned against the dangers of outside intervention. Initially, the Syrians were included in these warnings; later, however, the United States came to view Syria as playing "a constructive role," seeking to prevent the radicalization of Lebanon.³⁷ At the same time, the United States supported proposals for a redistribution of political power in Lebanon. United States officials also main-

³⁰ For further analysis of Syria's change of course, see the statement of the Syrian Minister of Defense, Gen. Mustafa Tlass, in *The Economist*, July 10, 1976; *MERIP Reports*, no. 47; James M. Markham, "Lebanon: The Insane War," *The New York Times Magazine*, August 15, 1976; and Edward R. F. Sheehan, "From Unity to Discord in Araby," *The Washington Post*, August 15, 1976.

³¹ *The Washington Post*, January 23, 1976.

³² *Middle East Economic Digest*, June 4, 1976.

³³ *The Washington Post*, April 12, 1976.

³⁴ *Ibid.*, April 29, 1976.

³⁵ *US News and World Report*, June 21, 1976.

³⁶ *The Washington Post*, June 16, 1976; *The Economist*, July 24, 1976.

³⁷ *The Washington Post*, March 31, April 20, and June 18, 1976; *The New York Times*, August 12, 1976.

tained close contact with Syria and with Israel with regard to Syrian troop movements in Lebanon, helping to persuade Israel that her security was not endangered. In a direct effort to mediate the conflict, United States Ambassador L. Dean Brown was sent to Lebanon at the end of March, 1976, yet no lasting results were achieved.³⁸

Soviet diplomacy was even more inert, stymied by the spectacle of two Soviet clients, Syria and the PLO, slugging it out in Lebanon. According to some observers, the Soviet Union disapproves of the creation of a radical Lebanon that might destroy regional peace and complicate Soviet relationships with the United States. On the other hand, Moscow surely does not wish to see the leftists bloodied any further. After Syria's June intervention, the U.S.S.R. called for an immediate cease-fire and cautioned against outside interference, as it did again after the September offensive. According to a report in *Le Monde*, Soviet Communist Party Chairman Leonid Brezhnev wrote to Assad in July, accusing Syria of prolonging the war.³⁹ In August, *Pravda* suggested that Syria withdraw from Lebanon and support the "national patriotic forces" there, including the Palestinians.⁴⁰

LEBANON AND THE ARAB WORLD

As regional peace efforts foundered, the Arab world's post-October War unity disappeared in the Lebanese quagmire. However, only a few Arab states actively opposed Syrian intervention. Iraq, long at odds with Syria, has provided direct military aid to Palestinian forces resisting Syrian "aggression," as has Libya. Libyan Premier Abdel Salam Jalloud accused all Arabs of participating in a United States conspiracy to crush the Palestinians in Lebanon.⁴¹ Not surprisingly, his efforts to mediate the dispute between the PLO and Syria in the summer of 1976 proved unavailing.

Egypt's policy toward Lebanon was related in part to her dispute with Syria over the Egyptian-Israeli disengagement in the Sinai. As Syria leaned to the right in Lebanon, Egypt moved toward support of the PLO which, like Syria, had previously condemned Cairo for withdrawing from the larger Arab-Israeli conflict. Egyptian Foreign Minister Ismail Fahmi castigated the Syrian intervention, charging that it was "in accordance with Israeli goals and plans."⁴²

Perhaps to camouflage his relative lack of activity on behalf of the Palestinians, President Sadat angrily denounced Syria's September, 1976, campaign as "a black chapter in Arab history."⁴³

Most other Arab states apparently want Syria to succeed in weakening the PLO, whose activities divert the Arab governments from pursuing their own economic and political interests and from coming to grips with the Israeli problem. The Saudis, in particular, are fearful of the growth of "communism" in Lebanon; like other Arabs, they also oppose any form of partition, which was given unintended impetus by Syria's military assistance to the Christians. Mindful of her own unhappy relations with the Palestinians, Jordan has also been a staunch supporter of Syria.

Despite their many disagreements, the Arabs established a joint peace-keeping force under the auspices of the Arab League, meeting in Cairo on June 9. A 6,000–10,000-man force, composed of troops from Libya, Algeria, Saudi Arabia, Sudan, Syria, and the PLO, was projected, and the first contingents arrived in Lebanon on June 21. Their mission was to separate the combatants of left and right and the Syrian and leftist forces. By summer's end, some 3,000 Arab troops, commanded by an Egyptian general, had taken up positions in Lebanon. In the words of one observer, however, the League force proved "woefully ineffective."⁴⁴ The Christians, led by President Franjieh, initially opposed the introduction of the force, fearing that it might be used to replace the Syrians. On several occasions, right-wing troops fired on the Arab force, killing and wounding a number of them. The League troops also occasionally fought among themselves, with skirmishes reported between Libyan and Sudanese units. In late October the Saudis brought together the leaders of Syria, Egypt, Kuwait, the PLO, and the new President of Lebanon for a summit meeting in Riyadh. They agreed on another, perhaps more hopeful cease-fire, and on the establishment of a 30,000-man peace-keeping force, to be recruited largely from Syrian troops already in Lebanon.

ISRAEL AND LEBANON

Israel was the immediate beneficiary of Arab divisiveness. On occasion, Tel Aviv expressed alarm that Syrian "occupation" of Lebanon would prejudice Israel's security. There was said to be a "red line" in Lebanon beyond which Syria could not go without risking Israeli intervention. As the war continued, however, Israel became less concerned with Syrian activities. Israeli Prime Minister Yitzhak Rabin noted in June: "There is no need for us to disturb the Syrian army while it is killing terrorists."⁴⁵ Thus, one side-effect of the war was a virtual halt in the cycle of Palestinian raids into Israel and Israeli reprisals in Lebanon. The last major Israeli air strike

³⁸ See Ambassador Brown's speech before the Middle East Institute, "Lebanon: A Mission of Conciliation" (Washington, D.C.), June 22, 1976.

³⁹ *The Washington Post*, July 21, 1976.

⁴⁰ *The New York Times*, August 30, 1976.

⁴¹ *Middle East Economic Digest*, July 2, 1976.

⁴² *The Washington Post*, June 4, 1976.

⁴³ *Ibid.*, September 29, 1976.

⁴⁴ Markham, *op. cit.*

⁴⁵ *The Washington Post*, June 8, 1976.

occurred against Palestinian camps in north and south Lebanon in early December, 1975. By late 1976, the Israelis were providing "clandestine" arms aid to rightist forces, treating war wounded in Israel, and encouraging trade across Lebanon's southern border. Israelis were also evidently assisting Christian villagers in their struggle to clear the entire southern region of Palestinian guerrillas.

THE END OF THE ROAD?

At the end of 1976, Lebanon, once a proud and beautiful land, was little more than a battered carcass, savaged by right and left and tormented by the Syrian army. Although a new President had been installed in office, the body politic was moribund. If there was any hope in this dismal situation, it lay in the possibility that a new, younger political leadership might some day emerge. Members of the older generation had ruled Lebanon since independence in 1943: they had little or no vision; they were corrupt and unaccountable. Yet moderates still existed. Premier Karami, for one, consistently argued that Lebanon must face the facts of modern life, but he opposed Jumblatt's "radical" reform plans and accused the Druze leader of "trying to impose on us a regime that does not conform to our principles, beliefs and religion."⁴⁶ Saeb Salam, a former Prime Minister, and Raymond Edde, among others, also appealed for the reunification of Lebanon on the basis of moderation and compromise. Even Bashir Gemayel, son of the Phalange chieftain, expressed his frustration with politics as usual:

Lebanese fighters from both sides . . . have run out of patience with the tricks of the traditionalist politicians, who bear a considerable part of the blame for the conditions which we have reached. It is not right that more innocent people should die every day so [that] the Byzantine argument among the politicians should continue.⁴⁷

The "Byzantine argument among the politicians" had destroyed Lebanese society, perhaps irreparably, and led to the country's partition among Christians and Muslims and to its quasi-occupation by the Syrian army. Lebanon's Christian leaders had failed to understand the needs of the country's many poor and underprivileged. The left had pressed its legitimate demands beyond all reason; the "rejectionists" among the Palestinians had no program whatsoever except to negotiate with no one and to fight with everyone. Outside powers had also contributed to the conflict by ignoring the plight of the Palestinians and their quest for a political community until it was too late. There were no winners in this civil war: the people of Lebanon had lost. ■

⁴⁶ *Ibid.*, March 29, 1976.

⁴⁷ *Ibid.*, May 22, 1976.

SAUDI ARABIA

(Continued from page 10)

addition, 6,741 kilometers of secondary rural roads connecting numerous villages with each other and to the trunk highways have been built. Two major airport construction projects have been started. Since 1970, an automatic telephone network totaling 93,600 lines has been constructed in the most important cities. Several land reclamation schemes have been inaugurated, and more than 3,200 hectares of land have been reclaimed. Water desalinization plants, water supply systems and sewers are currently under construction in several cities.

INFLATION

Between 1963 and 1969, the cost of living index rose by a modest 12.5 percent.¹⁰ This moderate trend continued into the early 1970's. From 1970 to 1972, prices rose 9.3 percent. Given the increasing expenditures of the 1960's and the quickening outlays required by the first five year plan, these price increases were not excessive.

Circumstances changed in 1973. As revenues increased, actual expenditures were raised above those called for in the plan. The government's spending power outgrew the economy's absorptive capacity, and domestic prices began to rise rapidly. The general price index increased 17.7 percent in 1973, 21.0 percent in 1974 and 48.0 percent in 1975. The rate of inflation has accelerated since December, 1975, and the current annual rate is well over 65 to 70 percent.

Economists have defined absorptive capacity in various ways. Basically, the term implies that, given the many constraints on an economy like skilled labor shortages, limited industrial capacity and limited port facilities, there is an upper limit to the amount of spending that can be made without harmful side effects. That is, a certain rate of expenditures can be made without serious inflation. If this rate of expenditures is exceeded, the existing constraints will come into effect and prices will rise. The greater the excess demand, the more vigorous the rate of demand-pull inflation.

Ordinarily, demand-pull inflation results when governments borrow money in the country's money markets to cover expenditures in excess of revenues. The Saudi Arabian case is unique, because the government's income is so large that it can finance any project to advance Saudi economic growth without borrowing. Once demand-pull inflation has reached the economy's capacity constraints, costs begin to

¹⁰ Central Department of Statistics, *Cost of Living Index 1975* (Riyadh: Central Department of Statistics, 1976), p. 1.

**TABLE 4: Total Government Revenues and Expenditures,
Absorptive Capacity and Money Supply**

Year	Total Revenues		Total Expenditures		Effective Output			Money Supply	
	Billion Saudi Riyals	% Change Over Past Year	Billion Saudi Riyals	% Change Over Past Year	Billion Saudi Riyals	% Relatives (1969/70 = 100)	% Change Over Past Year	Billion Saudi Riyals	Annual % Change
1969/70	7.9	—	6.8	—	8.0	100.0	—	2.3	—
1970/71	11.1	40.5	8.3	22.1	8.6	107.5	7.5	2.6	13.6
1971/72	15.4	38.7	10.1	21.7	9.2	115.0	7.0	3.3	26.9
1972/73	44.8	190.9	19.5	93.1	10.5	131.5	14.2	4.7	42.4
1973/74	101.4	126.3	42.2	116.4	12.4	155.0	18.1	6.6	40.4

Sources: Revenues, Expenditures, Money Supply: Saudi Arabian Monetary Agency, *Annual Report 1395 (1975)* (Jedda: 1975), pp. 15, 92.

Effective Real Output: Central Department of Statistics, *National Accounts of Saudi Arabia, 1386/87 through 1393/94 A.H.* (Riyadh: Central Department of Statistics, 1976), pp. 5-6.

rise. To attract factors of production, businessmen offer higher wages to labor and higher prices for raw materials, and the inflationary factors arising on the demand side are augmented on the supply side by cost-push pressures. The current rapid price increases in Saudi Arabia result from both types of pressure on prices.

Table 4 shows the relationship among government revenues, expenditures and the growth of effective real output and prices.¹¹ From 1969-1970 to 1973-1974, total government revenues rose more than 12-fold and total expenditures increased six times, with the major acceleration taking place since 1972-1973. During the same period, absorptive capacity, measured by effective real output, rose 55.0 percent. Clearly, the government's ability to spend has far outgrown the economy's ability to produce goods and services. The inflationary pressure inherent in the gap between spending power and absorption capacity was mitigated by the fact that many expenditures have been made outside the country.

Changes in the money supply offer an alternative indicator of government-induced inflationary pressure. From 1969-1970 to 1973-1974, the money supply rose by S.R. 4.3 billion (187.0 percent). In 1972-1973 and 1973-1974, it rose 42.4 and 40.4 percent, respectively. Given the slow growth of effective real output, the current inflation is a national consequence of this rapid expansion of the money supply.

To combat the current high rate of inflation, a reduction of government outlays is required, because government spending is the major factor in the money supply expansion. If expenditures are reduced, capacity growth may be retarded. But this reduction in capacity growth can be averted. Government out-

lays consist of two parts: development expenditures (projects, and so on) and non-development expenditures (defense, public administration, social services, and so on), and there is some evidence that non-development expenditures currently exceed development outlays. It will be difficult, however, to reduce non-development expenditures because they are usually politically motivated, and reductions of some less important items (like trimming of government payrolls) will be strongly resisted by political pressure groups. Lowering social service payments would affect that part of the population who can least afford to absorb declines in income.

Thus, it appears that the government must take drastic action to bring the current high rate of inflation under control. To increase the supply of goods and services, a major effort should be made to complete projects already under way even if this requires a moratorium on new projects. To relieve the pressure on ports, military expenditures should be reduced, and the preferential handling of military cargoes should be limited. Ways must be found to slow down the money supply growth rate. Actions like these are at best stop-gap measures. It must be realized that the current high growth rates cannot be sustained without serious social costs. As long as the economy lacks a viable economic and social infrastructure, a lower growth rate must be accepted. This can best be achieved by a reduction of all expenditures except those designed to raise the population's real income, and by an acceptance of the fact that complete industrialization cannot be achieved within the time span of two or three five year development plans.

Saudi Arabia's economic development has been marked by an unprecedentedly high rate of growth. Considerable advances have been made in areas like education, health and road building. But there have also been serious shortcomings. The diversification of the economic base has been slow and ineffective; and domestic government expenditures have been too

¹¹ Effective real output is defined as real gross domestic product less crude petroleum, natural gas and petroleum refinery output. It is a *crude*, technically limited measure of absorptive capacity, used only to provide the reader with an appreciation of the problem.

high relative to absorption capacity, a circumstance that has resulted in a high rate of inflation. The type of employment opportunities created have not provided desirable jobs for the majority of the Saudi population. Formal planning, however, has just entered its sixth year, and the era of unlimited resources is less than three years old.

There is some evidence that attempts are being made to eliminate the most obvious obstacles to development. A family assistance program is under consideration to moderate the effects of inflation on the poor and near poor. To accelerate diversification, three industrial parks have been planned where the government is already building the requisite infrastructure (power, roads, water).

Politically, Saudi Arabia remains the most conservative Arab state. The government's wealth and its willingness to spend considerable portions of that wealth for the advancement of the Arab world have muted attempts to undermine the monarchy. Except for Libya's Colonel Muammar Qaddafi, the radical Arab states appear to have suspended their attacks.

The assassination of King Faisal was not an attempt to overthrow the monarchy. It arose out of a conflict between two branches of the ruling family, and represents an atavistic throwback to the most fundamental aspects of Islam. A number of years ago, King Faisal issued an order to suppress all active opposition against the introduction of television. When a group of conservatives under the leadership of a member of the royal family threatened to attack and destroy a station, the police fired into the crowd and killed its leader. Because King Faisal refused to deliver the officer who fired the fatal shot to the relatives of the slain man for execution (as is provided in the Koran), he himself became a target for revenge.

At the moment, there appears to be no serious domestic opposition to the royal family. Those elements of the population most likely to attack the existing order have no important motives to do so. Although regional loyalties remain strong, their influence has been reduced by increasing contact among the regions. Despite inflation, the emerging middle class is participating fully in the nation's economic advance.

Most important, the monarchy provides an orderly means for the transfer of power. Successful economic development depends on many factors, including internal political stability. Since 1950, the kingdom has faced four major crises involving the transfer of power. Each time, the transfer was carried out quickly and quietly, without bloodshed or internal disturbances. No matter what the price, at the moment this means more to the people than any political alternative.

The real danger is the presence of increasingly

larger numbers of Arab and non-Arab foreign labor. King Faisal managed to control the rate of social liberalization. Since his death, the deterioration of the old social order has accelerated and a viable alternative has apparently not developed. By 1980, one out of every five or six persons in the kingdom will be a foreigner; and the strain on the country will be severe. Then, the leadership of the royal family will be tested. At the moment no one can predict the outcome. ■

TURKEY

(Continued from page 14)

recovering. In 1974, 400,000 Turkish workers in Europe, the greatest number in West Germany, sent remittances home to the tune of \$1.5 billion. Because of generally depressed economic conditions, tens of thousands of Turkish workers outside Turkey were thrown out of work in 1975, and their remittances declined dramatically. Turkey's convertible currency reserves, of which remittances were the major source, stood at \$2 billion in August, 1975, and dropped to \$825 million by June, 1976. Any serious analysis of the Turkish economy gives the same answer: it is in a precarious state of health and might not survive the pressures that accompany an outbreak of war.

In domestic politics, the picture is comparable. In 1971, at the behest of the most reactionary elements of the Turkish army officer corps, the Nihat Erim regime mounted a full-dress assault on civil liberties and closed off the political process to all except "responsible" organizations. Since then, Turkey has made very considerable progress toward the reestablishment of broad civil liberties, especially toward the toleration of organized political dissent. Thus, in 1975, the Turkish Labor party, a democratic socialist organization banned in 1971, was allowed to reappear. Civilian control of the political apparatus has been almost fully restored. But all this painfully recaptured ground could be quickly eroded in the event of war. With less than 30 years of actual experience with multiparty parliamentary democracy (during which time growth was twice retarded by military coups), it is obvious that the pressures of war would have a profound impact.

Finally, Turkey's diplomatic position, already seriously weakened because of Cyprus, might suffer an even further decline in the event of war. The Aegean question obviously calls for cool heads and a willingness to enter into meaningful negotiations toward a compromise solution. If Turkey tries to solve her outstanding differences with Greece by force, she will find herself further isolated in the world community.

The engineer-turned-politician, Prime Minister Suleyman Demirel, faces a complicated task in the

months ahead. He must avoid stimulating the anti-Greek emotionalism that is so close to the surface in Turkish politics. He must fend off his major political opponents, who are more or less trading openly on Turkey's traditional anti-Greek sentiments. And he must also prevail on his Greek counterparts in Athens to be reasonable and fair when they, too, are being swept along on an emotional tide. So far, Demirel and his very able Foreign Minister, Caglayangil, have been very surefooted. Friends of Turkey can only wish them success. ■

ISRAEL'S TIME OF TRANQUILITY

(Continued from page 24)

Israeli life, with the full support of the population. Most Israelis were members of the IDF and knew of its central role in ensuring Israel's existence. They were confident that the IDF and its intelligence services could and would protect and defend the state. The IDF was a necessity; it performed its tasks well; and there was virtually no questioning of its capability, operations, decisions or expenditures.¹¹ The October War raised questions about the IDF on topics ranging from its capability to its preparedness. The public "wars of the generals" on strategy and tactics, the Agranat commission's concerns about Israeli intelligence, and the relatively heavy casualties suffered by Israel in the war combined to raise doubts in the minds of many Israelis.

After the war, the IDF began to reinvigorate its forces and to modify its organization and tactics to

reflect Israel's new situation. In the view of its own senior officers, within a short time after the conflict, the IDF learned the lessons of 1973 and incorporated the appropriate responses into the training, equipment, and doctrine of the IDF. Israel's general officers believed that the army was stronger than ever. New and sophisticated equipment acquired from the United States was the primary factor in the improvement of Israel's position, but changes in military intelligence and shifts in military doctrine and strategy were also employed. The improvement was reflected in the confidence of Israel's senior officials, including the chief of staff and the minister of defense.¹²

Thus, in the view of Israel's senior officials and outside analysts, Israel had responded appropriately. A galvanizing event was inadvertently provided by Palestinian terrorists, who hijacked a plane to Uganda in late June, 1976. IDF troops raided the airport at Entebbe, Uganda, and freed the hostages with little loss of life.¹³ The Entebbe raid served an important morale-building purpose for Israel and tended to restructure the Israel-Arab psychological balance, which had been upset by the October War. Israel was once again proud and confident (some suggested euphoric). Israeli elation tended to erase the self-doubts that had developed after the October War. Some suggested that "the Yom Kippur War ended in Entebbe." The raid provided a political boost for Rabin and helped to replace his image as a weak and indecisive leader with a new image as a forceful decision maker willing to take risks and make hard decisions. Popularity and public confidence at home were paralleled by international admiration.¹⁴

"NEXT STEPS"

Israel's time of tranquility is likely to be followed by pressures during the 1977 Israeli elections and the improvement of the Lebanon situation. The inauguration of United States President James Earl Carter, Jr., and an anticipated United States Middle East initiative is likely to make 1977 a crucial year for Israel. The United States role as military supplier, major political supporter, and a provider of economic assistance to Israel is accompanied by diplomatic initiatives to resolve the conflict. In its search for peace, however, the United States also improved its relations with the Arab states. United States diplomats said that this improvement would benefit both the United States and Israel, although this optimistic perspective was not fully convincing to Israelis. The exclusivity that characterized the United States-Israel relationship between 1967 and 1973 would no longer obtain; but the basic affinity of the two states would remain, and United States support for Israel's survival, security and well-being would continue to be a basic element of United States policy. This position was restated by President Gerald Ford and

¹¹ See Bernard Reich, "Israel's Quest for Security," *Current History*, vol. 62 (January, 1972), pp. 1ff.

¹² In July, 1976, Minister of Defense Shimon Peres noted: "I am confident about our national capacity to meet a military threat. . . ." Peres's address to the Jewish Agency Conference in Jerusalem, July 14, 1976. Peres went on to note: "The overall strength of Zahal was augmented since the Yom Kippur War up to this day by 30 percent and so were our major formations, the number of tanks was increased by 35 percent, artillery pieces by 25 percent, APC's by 60 percent, fighters by 15 percent, fighting vessels by 45 percent. We improved the quality of the equipment, transport planes . . . , helicopters, night sights, the most sophisticated technology in the conventional sense existing at the present state of arms."

¹³ Numerous versions of the Entebbe incident were published, and many of these were contradictory, although the broad outlines are clearly known. For further details on the hijacking and the Israeli raid at Entebbe and its aftermath see: Philip Ross, "The Illustrated Story of the Great Israeli Rescue," *New York*, vol. 9 (August 2, 1976), pp. 26ff; William Stevenson, *90 Minutes at Entebbe* (Toronto, New York, London: Bantam Books, 1976); "Drama in Hijacking of Jet to Uganda: A Long Week of Terror and Tensions," *The New York Times*, July 11, 1976, pages 1 and 16.

¹⁴ A noteworthy factor in the Uganda episode was the unwillingness of the United Nations Security Council to adopt an OAU-sponsored motion to censure Israel for the Entebbe raid. This was a significant departure from past United Nations positions concerning terrorism and Israel; it represented an unwillingness to ignore political terrorism or to side with Amin, and it also had positive effects for Israel.

by Carter during the 1976 presidential campaign.¹⁵ Sinai II provided a new framework for the United States-Israel relationship, which formalized much of their previous intercourse and their potential political, economic, military, security and diplomatic interaction. There is a policy consensus and commonality of interest that includes such elements as the need to prevent war (both local war and war involving the superpowers), the need to resolve the Arab-Israeli conflict, and the need to maintain Israel's security. But there have been instances of conflict, often as a result of different perspectives.

Some areas of contention between Israel and the United States began to emerge in the time of tranquility. Shortly after Sinai II was signed, the Arab states sought PLO participation in a United Nations Security Council debate on the Middle East while Israel urged a United States veto to bar a Palestinian role. Although the United States refused to bar the PLO and voiced criticism of some Israeli policies and actions during the United Nations de-

¹⁵ In May, 1976, President Ford noted: "America must and will pursue friendship with all nations but this will never be done at the expense of America's commitment to Israel. A strong Israel is essential to a stable peace in the Middle East. Our commitment to Israel will meet the test of American steadfastness and resolve." Quoted in *Washington Star*, May 14, 1976. In a press conference on June 23, 1976, Carter said: "One of the new commitments that I think should be made is an unequivocal, constant commitment to the world that is well understood by all people that we guarantee the right of Israel to exist, to exist in peace, as a Jewish state." "I think we should strengthen our commitment to give Israel whatever defense mechanisms or economic aid is necessary to let them meet any potential attack." Quoted in *The New York Times*, June 24, 1976. In the Ford-Carter debate on foreign and defense policy, broadcast October 6, 1976, each candidate sought to outdo the other in proclaiming his support for Israel. See the transcript in *The New York Times*, October 8, 1976.

¹⁶ United States diplomatic-political support for Israel's position was expressed in the form of three vetoes cast in the United Nations Security Council in 1976. On January 26, 1976, it vetoed a resolution (S/11940) that it believed would establish new and one-sided conditions for negotiation of an Arab-Israeli settlement; on March 25, 1976, it vetoed a resolution (S/12022) deploring Israel's policies in the occupied West Bank because it viewed it as unbalanced; on June 29, 1976, it vetoed a resolution (S/12119) that would have affirmed Palestinian rights to self-determination, national independence and sovereignty in Palestine.

¹⁷ In addition to the clash on the disposition of the territories, Israel also faced problems relating to the day-to-day administration of the territories and developing tensions at locations like Hebron. Israel also had to deal with the internal debate on the future of the areas under her control. For further elaboration of the issues involved see Bernard Reich, *Israel and the Occupied Territories* (Department of State, 1974) and Yigal Allon, "Israel: The Case for Defensible Borders," *Foreign Affairs*, vol. 55 (October, 1976), pp. 38ff.

¹⁸ The administration's package included planes, spare parts, training and ground equipment worth about \$65 million. The announcement followed President Sadat's announcement that Egypt was breaking its 1971 Treaty of Friendship and Cooperation with the Soviet Union.

bate, the two states remained in agreement on the need to maintain the existing United Nations Middle East resolutions and to maintain the "rules of the game"; the United States vetoed resolutions that would have made important changes.¹⁶ The United States and Israel also disagreed about Israel's policy in the occupied territories and particularly the establishment of Israeli settlements in those areas.¹⁷ Israel and the United States also maintained opposing positions on the status of Jerusalem. There was also conflict on United States aid to Israel, especially military aid. There was disagreement on the supply of United States military equipment to several Arab states. In early 1976, the issue revolved around military aid to Saudi Arabia, the proposed sale of C-130 transport aircraft to Egypt and the training of Egyptian airmen in United States military schools. The sale of the C-130's would be the first sale of United States military equipment to Egypt since the 1952 revolution.¹⁸

The divergence of United States and Israeli positions, despite the reiteration of American support during the presidential election campaigns and the continued flow of economic and military assistance, seemed to foreshadow a period of crucial decision. In the last analysis, the time of tranquility Israel enjoyed after Sinai II is likely to become only a brief respite from the forces and pressures unleashed by the October War. The year 1977 will mark the shift from a time of tranquility to the crucial stage of hard decision on the settlement of the Arab-Israeli conflict. In 1977, Israel faces the foreign and domestic situation in the context of the environment developed during the post-Sinai II period—a renewed sense of security and a mood of optimism, especially after the Entebbe raid. ■

THE EGYPT OF ANWAR SADAT

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walking through the streets, showing himself to the masses. The man extolled the President for leading Egypt to victory but complained that he was desperate, because he earned only \$30 a month and could not feed his wife and six children. Sadat tried to disengage himself, but the man held his arm until Sadat agreed to help him. They then proceeded to the nearest government food shop, where the President said to the store manager:

Give me some rice.
Mafeesh. (There is none).
Give me some sugar.
Mafeesh.
Give me some cooking oil.
Mafeesh.
Give me some tea.
Mafeesh.

In exasperation, Sadat turned to the worker and said: "Tell me, exactly how do you manage to spend your \$30?"

DILEMMAS

During the past five years, Sadat has journeyed abroad in search of economic assistance more often than the head of any other needy state. On occasion, he has said that what is needed is a Marshall Plan for Egypt, a long-term commitment of from \$10 billion to \$20 billion over the next five to ten years. Thus far, Sadat has obtained only approximately one-fifth of the funds Egypt needs. These loans and grants ease immediate pressures, including repayment of short-term debts that are coming due, and financing the importation of staples like wheat, sugar, and cooking oil, which are then sold to the people at a fraction of the cost in order to head off unrest. The subsidies, which now exceed \$2 billion a year, account for the bulk of Egypt's balance of payments deficit and make efficient government planning and budgeting difficult.

The long-term and less costly credits that are essential to orderly development have been very slow to come. More capital for projects like the Sumed oil pipeline connecting Suez with Alexandria and due for completion in December, 1976, for example, is essential. This rankles Egyptians who feel that they also deserve to benefit from the wealth that came to the oil-rich Arab states after the October War and that continues to gush into the coffers of OPEC, the Organization of Arab Petroleum Exporting Countries.

To attract significant foreign investment, Sadat needs peace; in the absence of a final settlement of the Arab-Israeli conflict, foreign investors are leery of massive commitments. In part, they believe that Sadat or his successor could be pressed to return to the battlefield if the stalemate, with its many untidy and dangerous ingredients, is left to fester. Their skepticism about Egypt's economic future is fed by frustrating experiences with cumbersome, inefficient bureaucracies.

Some observers speculate that Lebanon's tragedy could prove Egypt's fortune. For more than a generation, Beirut was the commercial, banking, and communication hub of the Arab world. Lebanon's civil war seems to have destroyed that once secure position. Geographically, politically, and culturally, Cairo would seem an attractive alternative, but it faces staggering problems. Often likened to a bloated head on an emaciated body, Cairo's population of almost eight million has doubled during the past ten years. Cairo lacks the essentials of modern commercial operations: telephones, telex machines, office space, apartment and hotel space, and a rapid, reliable banking network. It is difficult to travel in Cairo: the

transportation system is heavily overburdened and congestion is commonplace. The sewage system is overtaxed; pollution is widespread, and the supply of fresh water is a problem.

It has been suggested that Sadat should build a modern commercial city outside the present limits of greater Cairo, to service the foreign community that would arrive if Cairo became the financial center of the Arab world. However, aside from the economic costs of the undertaking, the political implications of such a decision must give Sadat pause. Egypt desperately needs the capital and expertise that would be drawn to a Cairo able to handle the commercial transactions of the Arab world, but the conspicuous consumption and luxurious living of the new "pashas" could exacerbate social unrest and the inflationary spiral, and would threaten Sadat's rule, by strengthening the various strands of political opposition that now are fragmented and weak.

Opposition to Sadat outside the permissible confines of the ASU's "platforms" comes from the right and the left. The Muslim Brotherhood, which seeks to impose orthodox Islamic precepts on a secularizing Egypt, is making a comeback. Sadat was once a member and has gone out of his way to court the conservative, religiously directed Brotherhood, whose cells are to be found everywhere in the Arab world. But he may not be able to mollify the ultra-extremists, who object as much to compromise with Israel as to the slackening social mores that have given Cairo the reputation of being "Sin City" of the Arab world. The May, 1976, law limiting the sale of alcoholic beverages was a placatory gesture to the Ulemmas and the Brotherhood.

The ideological left is a *mélange* of Communists, Marxists, and Nasserites, who have not joined the left platform of the ASU. They harp on the deteriorating economic situation, on growing disparities in wealth, including a new stratum of millionaires who are the most obvious beneficiaries of Sadat's "open door" policy. Leftists oppose a mixed economy, mistrust the United States, and demand a greater mobilization of internal resources. Generally included in this vague grouping of politically alienated intellectuals is critic Hasanayn Haykal, the former editor of *Al Ahram*, who broke with Sadat after the October War. Haykal, whose columns are read throughout the Arab world although they are banned in Egypt, is an influential analyst, whose criticisms Sadat must continually answer, albeit in roundabout fashion.

Surreptitious opposition also comes from government bureaucrats who fear innovation and modernization, who regard change as a threat to their power and status. Important government officials who supervise the day-to-day operation of key ministries may give lip-service to Sadat's call for a new philosophy of planning and decentralization of managerial

authority, but they resist alterations of the status quo.

Today, Sadat is secure: the army, the police and the Ministry of Interior are loyal. He controls the instruments of power and enjoys widespread popularity. Yet Sadat walks a continuing political tight-rope that requires sure footing, balance and keen timing. In 1977, the economic indicators will tell us a great deal about the political condition of Sadat's Egypt. ■

IRAN

(Continued from page 18)

three corps attract mostly the children of urban, middle-class families with high school degrees. The high schools are in the cities; their enrollments are limited; and, until the oil boom, they required tuition. Young rural migrants more often find unskilled jobs in the cities, or remain unemployed.

TABLE 3: Indexes of Agricultural Production (AP) and Per Capita Agricultural Production (PCAP) for Iran (1952-1954 = 100)*

	AP	PCAP
1935-1939	85	118
1957-1958	117	106
1958-1959	119	108
1959-1960	123	106
1960-1961	118	96

* Source: *Merip Reports*, 43 (1976), p. 6.

In addition to agricultural laborers, some sharecroppers and tenants remain. A second stage of land reform offered landlords an alternative to redistribution, that is, providing tenants with long-term leases. Eighty percent of the landowners coming under the second phase chose the lease option.

Only landowners may join cooperatives. In consequence, although roughly two-thirds of the villages are covered by cooperative organizations, tenants and sharecroppers have less access to pooled capital than other farmers. Only a fraction of the credits that farmers use come through cooperatives from the Agricultural Cooperative Bank in Teheran. Non-institutional credit sources still account for a significant portion of farm loans.

Economically, therefore, the most significant agricultural development over the past decade has been the shift toward large-scale commercial farming, not land reform itself. But commercial farming has not solved the country's agricultural problems. The disappointing growth rate of agricultural production shows up in Iran's food imports—meat from Australia, rice from Thailand, and dairy products from East Europe. Table 3 shows the decline in domestic food production over time. Overall, the government's

agricultural policy has been to hold down the prices of essential commodities in the cities rather than to establish minimum prices as production incentives for farmers, and to free resources for investment in industry. The cities have political clout, and public policies reflect their importance. Rural development and agriculture are not ignored, but they clearly play a subordinate role in the emerging industrial state.

Despite the Shah's very real political successes, open and armed opposition to his regime has increased over the past several years, particularly in Teheran and the Caspian provinces. The government describes the opposition as Islamic Marxist, representing the collaboration of the Communist underground with "reactionary" clerical religious forces. To some extent, this combination is the predictable outcome of the inequalities attendant upon the government's chosen policy of industrialization and the simultaneous secularization of Iranian society, in which the clergy no longer play a major role.

Both Communists and clergy also oppose the regime's military and economic ties with the United States, which have become stronger in recent years.⁷ In August, 1976, the administration of United States President Gerald Ford proposed to sell an additional \$4 billion worth of arms to Iran, raising the total to more than \$10 billion. Secretary of State Henry Kissinger explained to a reluctant Congress that the Shah's "moderate" regime warranted protection. But that was an overstatement of official sentiments. Privately, policy makers see no acceptable alternative.

Most critics agree with the Shah that there are few alternatives to his rule, in view of the lack of strong political institutions in Iran. Neither the Parliament, nor the Cabinet as a collective group, nor political parties have acquired any significant power. Within the constraints of the Shah's national development policies, as they have woven a pattern of personal privilege, no new political institutions appear to be evolving. One of the interesting questions for Iran's future is whether its democratic political institutions have retained any legitimacy in the value structure of the civil servants and industrialists, many of whose families have kept their power in the present system, although they were active in the earlier parliamentary regimes.

Iran's constitutional revolution (1906-1909) took place during a period when British and Russian interference in the country's domestic affairs afforded the ruling monarchs many opportunities to avoid coming to terms with the political forces that would constrain them. Little has changed. Iran's resources and geographic position continue to make her of great strategic value to other nations. And these same resources have opened up the opportunity to create a new industrial state, organized around the monarchy. ■

⁷ At least five United States citizens have been killed by terrorists in Teheran in a little more than one year.

PSYCHOLOGICAL DIMENSIONS OF THE ARAB-ISRAELI CONFLICT

(Continued from page 27)

would not reflect adversely on the Arab leaders' judgments, policies, and military weakness. Massive propaganda campaigns in Egypt, Syria, Jordan, Iraq, Lebanon, and other Arab countries discredited Israel's military victory in the war of 1948, and stimulated Arab nationalism, socialism, and unity.

Both themes required the spreading of false information, which was justified on the grounds of national interest. Thus Israel was labeled as the imperialist tool by which the Western powers intended to exploit the Arabs. Israel was blamed for all Arab misfortune and disunity, and was painted as a monstrous creature that, unless exterminated, would contaminate the Arab world and slowly destroy it from within.

The only solution to the Israeli problem according to Arab thinking at the time, was therefore to excise the "cancerous growth," until which time the Arabs were resolved not to rest. The strong Arab desire to eliminate the newly born Jewish state supplied the thrust for an intensive and unprecedented (by Arab standards) propaganda campaign geared against the sworn enemy.⁶

Guided by East and West German experts, Egypt in particular engaged every conceivable communication medium—newspapers, television, radio, bumper stickers, signposts, textbooks, and mass leaflets—and used the most sophisticated equipment available to build a new pan-Arab image and give a new direction to the Arab people. Children born after 1948 heard on the radio, saw on television, and read in the newspapers and school textbooks that their destiny, welfare, dignity, and national pride depended on only one thing—the total destruction of Israel.

However, the psychological warfare and threats of future annihilation, intended to generate momentum among the Arab population, developed greater efforts to achieve unity and solidarity among the Israelis. Whatever small good will and common ground for understanding had existed previously appeared to evaporate. Arab leaders, particularly the late Egyptian President Gamal Abdel Nasser, believed that the elimination of Israel was inevitable; on that premise Nasser himself, followed by the other Arab leaders, intensified his propaganda campaigns through the years 1952–1968.

The anti-Israel campaign was only one side of the coin. Slogans like "Democratic-socialist-cooperative

society," and "Republicanism, nationalism, and socialism" were the other side, emphasizing unity and co-operation among Arabs and neutralism toward others.

This theme resulted in an intensified propaganda campaign against the Western powers. The Arab propaganda that was waged vigorously against Israel and the West became a way of life for the average Arab. The propaganda reinforced not only the Arab misapprehension of the Israelis, but also the prejudice Israelis felt toward the Arabs.

Arabs often do seem to believe their own propaganda about Israelis, and the Israelis in turn often view the Arab as a simple-minded person who must be treated like either a child, or a wild fanatic who should be handled like a mad dog. The stories one hears about Arabs, of course, are very similar to the tales one hears in America's deep South concerning the Negro.⁷

Why did the Arab populace accept the propaganda? Sania Hamady gives us a clue in *Temperament and Character of the Arabs*:

The Arab is characterized by an inflated personality. He shows overt self-confidence, challenges and menaces anyone who accuses him of fear, and demonstrates daring and courage. His apparent strength . . . is not commensurate with his real power. Yet his self-praise and strength are, interestingly, sincere. There is no discrepancy between the show of courage and his feelings. Not conscious of any role-playing, the Arab does not know that he is hiding some weakness behind this facade. He believes in himself and is not aware of the internal weakness that may be driving him into such bombastic behavior.⁸

The secret arms negotiations between Nasser and the Soviets that culminated in Egypt's purchase of weapons from Czechoslovakia became known on September 27, 1955. This agreement gave Nasser the weapons he needed for the ongoing confrontation with Israel and offered the Soviet Union a diplomatic and military foothold in the Middle East. Both parts of the bargain were to have far-reaching political consequences. The arms deal was followed by another slap in the face of the West, namely, the nationalization of the Suez Canal on July 26, 1956. When Anglo-French negotiations with the Egyptians over the operation of the Suez Canal broke down, the military invasion of Egypt by Britain, France, and Israel resulted.

The Sinai Campaign of 1956 was another humiliating shock to the Arabs, especially to Egypt. Continued Israeli military superiority demonstrated the futility of attempting to solve the dispute with Israel by force. Although the Egyptian army was crushed, Egypt did not concede defeat, particularly after Israel, Britain and France received an ultimatum from the United States and the Soviet Union to cease all military operations. On November 6, 1956, the Sinai War ended, only eight days after it began. For all practical purposes, Egypt emerged triumphant;

⁶ Winston Burdett, *Encounter with the Middle East* (New York: Atheneum, 1969), p. 6.

⁷ Ray Vickers, *The Kingdom of Oil* (New York: Charles Scribner's Sons, 1974), p. 235.

⁸ Sania Hamady, *Temperament and Character of the Arabs* (New York: Twayne Publishers, 1960), p. 59.

Israel was warned by the United States to evacuate the Sinai or face economic sanctions; Britain and France agreed to abdicate their rights in the Suez Canal. Nasser was thus, in effect, handed a political victory by the United States State Department.

In the wake of the military defeat that the Arabs had not acknowledged, and in view of the political victory that was handed to them, the natural Arab reaction was to guard and promote national pride more fiercely than ever. More specifically, the propaganda against the Western powers and Israel was intensified, coupled with accelerated military preparedness. The years from 1956 to 1967 were years of psychological warfare, accompanied by Arab and Israeli attacks and counterattacks. Both sides built and trained bigger, better and more sophisticated armies. Egypt, Jordan, Syria and Iraq tripled their military manpower and arsenals.

To a large extent, the Arab and the Israeli economies tended to be "military economies." Billions of dollars were invested in the military buildup, often at the expense of urgently needed social welfare programs. The immediate parties to the conflict, Israel, Jordan, Syria and Egypt, were not and are still not independent economically; economic aid in terms of hard currency and food supplies were always sought from outside sources. Arab and Israeli political leaders were forced to justify the exorbitant expenditures of the military. Thus, military indoctrination of the civilian populace came to prevail in both societies.

After the 1956 Sinai campaign, Israel agreed to return the Sinai and the Gaza Strip to Egypt in return for a United States guarantee that international waterways like the Suez Canal and the Gulf of Aqaba at the Red Sea would be opened to her. Although Nasser adamantly refused to allow Israeli ships to pass through the Suez Canal, Israel took some consolation from the fact that her ships from Elath were passing through the Strait of Tiran, east of the southern tip of the Sinai Peninsula, giving her access to the Arabian Sea and the Far East. This was a factor with inescapable psychological and economic implications. As long as this status quo was maintained, Israel was willing to make every effort not to alter the situation by provoking the Arabs.

In May, 1967, Nasser was challenged by the Syrians and by some militant factions within his own country. Syrian leaders told him that unless new measures were taken to offset the "relative coexistence" with Israel, the right of the Arabs to regain their "homeland" would be in danger of being forgotten.

In order to assert his leadership, Nasser accepted the Syrian challenge by attempting to show the Arab world that he was not hiding behind the United Nations truce force. On May 16, 1967, Nasser demanded the withdrawal of the United Nations Emergency Force from the Sinai, and his request was

immediately granted. Not satisfied with this political victory, eight days later Nasser dispatched his troops to close the Gulf of Aqaba to all ships heading to or from Israel. The closure of the Gulf of Aqaba, taken by Israel as an act of war, was fated to change the course of history in the Middle East, psychologically as well as politically.

Whether or not Nasser meant to go to war remains uncertain. One thing, however, is pertinent: the Soviet Union played an important role in the involvement of Nasser in the soon-to-come Six Day War. The Russians feared the collapse of the Syrian government, which was under growing internal pressure. They tried to create strategic and political conditions that would persuade Nasser to redeploy his army to the Sinai and hence to divert Israel's attention to the danger on her southern border. However, the Soviet Union miscalculated. Nasser was overwhelmed by his own rhetoric and protestations of war and victory, and made a serious mistake by closing the Gulf of Aqaba. Israel, overwhelmed by her sense of danger and isolation, moved swiftly to destroy the armies of Egypt, Syria, and Jordan. Egypt and the Soviet Union soon lost control of the swiftly developing events. The Soviet expectation of cashing in on a political victory through political shrewdness and military maneuvering ended in a new Arab disaster.

THE ISRAELI VICTORY

The 1967 war was stunning, swift, and surprising by any military standards. Israel demonstrated a capability that amazed military observers all over the world and shocked and humiliated the armies of Egypt, Syria and Jordan. In less than a week, Israel's military captured territory three times larger than Israel itself. The Israelis took thousands of prisoners of war, hundreds of pieces of heavy military equipment; above all, the Gulf of Aqaba fell under Israeli control. The air forces of Egypt, Jordan, Syria and Iraq were practically demolished. Their air fields were destroyed and their ground troops were left at the mercy of the Israeli air force. Egypt, Jordan and Syria suffered a humiliating defeat at the hands of the Israeli army—a defeat that they publicly acknowledged. For the first time, after 20 years of Arab-Israeli hostilities, the Arab leadership—Nasser and Jordan's King Hussein—assumed the responsibility for this military setback. Egypt lost the entire Sinai Peninsula as well as her control over the Gaza Strip. Jordan lost the West Bank with the City of Old Jerusalem, and Syria lost the strategic stretch of land, the Golan Heights. The Six Day War also had very far-reaching psychological ramifications.

The Sinai campaign of 1956 had taught Israel that battlefield victories are meaningless if they are followed by political surrender. In the Six Day War,

the Arab leadership, particularly President Nasser and King Hussein, learned that the Arab-Israeli conflict could not be solved by military means alone.

The propaganda campaign gradually shifted after 1967; Arab statements threatening the liquidation or annihilation of Israel, common before the Six Day War, were replaced by statements that coexistence with Israel would be acceptable if Israel returned all territories captured during the Six Day War and permitted Arab Palestinians either to return to their homeland or receive proper compensation. In January, 1975, former Israeli Foreign Minister Abba Eban revealed that he had met on several occasions after the Six Day War with King Hussein of Jordan to explore an amicable solution to the Jordanian-Israeli crisis.

Although the new Arab political posture was not widely circulated, it was psychologically possible for the Egyptian and the Jordanian leadership to discuss accommodation with Israel. Arab intellectuals generally responded favorably to this new approach. At the same time, in order to retain some flexibility, the Arab leadership continued to emphasize its hawkish attitude toward Israel.

For his part, the Arab soldier was once again humiliated. He was determined to meet the future better prepared, for he would be fighting for his own honor, not for an abstract cause like unity.

The effects of the Six Day War on Israel were not all salutary, either. From a purely psychological point of view, the victory did not serve Israel well. Despite the occupation of new territory for the avowed purpose of creating more secure boundaries and of providing Israel with an even stronger bargaining position, the 1976 "victory" became merely the prelude to another war six years later. The Israeli soldier started to believe that there must be a special myth about himself, and that he truly might be invincible as well as "invisible," since the Israeli military had proved its superiority so dramatically. The civilian leadership, too, was affected.

The war of attrition initiated by Egypt early in 1969 was designed to aggravate the Israeli forces on the east bank of the Suez Canal, not as a chapter in a long-range policy aimed at the final destruction of Israel. Nasser accepted United States Secretary of State William Rogers' truce agreement late in 1970, partly because of the heavy damages inflicted by Israel's artillery and air force and partly (probably mainly) because of his growing conviction that a

military solution could not resolve the conflict with Israel. Coexistence became a new option. However, Nasser's belief that Israel did not desire a peaceful solution justified any act of belligerency on his part for the sake of national prestige.

Israel, on the other hand, emerging overwhelmingly victorious in the Six Day War, did not feel compelled to make any substantive moves toward a peaceful settlement. Although the late Prime Minister Levi Eshkol declared immediately after the war that Israel was ready to negotiate with the Arab states as equals, Israel would, in fact, be negotiating from a position of strength and on her own terms. The Arabs could not consent to Israel's proposal for negotiations, for this would mean *de facto* recognition of Israel, which was not politically acceptable. The paradox following the Six Day War was that while the Arabs refused either to accept Israel between 1948 and 1967 or to accede to any meaningful negotiations during the same period, Israel felt strong enough politically, militarily and economically not to rush into any negotiations not predominantly in her favor. Ironically, although the territorial and the political disparity between the Arab states and Israel became greater in the aftermath of the Six Day War, both sides came to recognize that coexistence had become a viable solution. Still, psychological acceptance was not enough to overcome the new emotional and political difficulties faced by the Arab states in the wake of the Israeli military victory. This development, however, was not at the time fully appreciated by either side.

Ignoring the Arab sensitivity in matters of honor and pride, Israel sought to capitalize on the Arab humiliation. Once the Israeli military had achieved battlefield victory, it perhaps would have been wise for the Israeli government to translate military success into useful and practical diplomacy. The Israeli leaders failed to see that, in order for the Arabs to negotiate, a degree of strength in the Arab negotiating position was a necessity.

The stalemate in the Middle East between 1967 and 1973 did not favor the Arabs. Dissension among university students in Egypt was on the rise, and the frustration of young Egyptian army officers was increasing. The national stigma of successive defeats had to be removed, Arab leaders felt, if they were to remain in power.

Meanwhile, Israel enjoyed unprecedented economic growth and prosperity. But she paid comparatively little attention to the overall explosive Arab situation and displayed little understanding of the precarious Arab position. The failure of the Egyptians and the Israelis to reach the interim settlement sponsored by United States Secretary of State William Rogers in mid-1970⁹ merely cleared the way once more for the use of force.

⁹ The interim settlement called on the Israelis to retreat some 15 to 20 miles from the Suez Canal, to the Mitla and the Gidi passes. Israel's refusal to withdraw her forces was based on her insistence that the Egyptians not station any soldiers on the east side of the canal, and that only civilians be allowed to cross for the purpose of reopening the canal. Egypt's insistence to the contrary brought the negotiations to a deadlock.

Thus the stage was set for the October War of 1973. Although Israel emerged victorious by military standards, her victory was not total, and the Arabs did not suffer total defeat. To the Israelis, partial victory was frustrating and humiliating; the Arabs, on the other hand, surveyed their display of initiative and resistance as positive gains, a kind of victory over their previous military record. The Israeli military setback at the outset of the hostilities and Israel's political concessions to the Arabs after the cease-fire provided exactly the psychological boost the Arabs needed to enter into negotiations from what they felt to be a position of strength.

In the last 28 years, and particularly between 1967 and 1973, Israel has progressed rapidly in her scientific and technological achievements, especially in the areas of economics, defense and education.

As Jews around the world advanced in the fields of science, medicine, and the arts, Israel became the natural recipient of their knowledge and experience, in addition to money and military equipment.

In Israel, social, economic and military developments in the occupied territories were geared to provide better conditions for the Arab Palestinians, to reduce the fedayeen influence and to demonstrate Israel's willingness to work with the Arabs. But the development of good working relations at personal, business and government levels between Israelis and Arabs on the West Bank and in the Gaza Strip made the Arab leaders, particularly President Anwar Sadat of Egypt, apprehensive of Israel's "true" objectives.

Israel has never before exercised military dominance in an area where there was a conflict of interests between the United States and the Soviet Union. Israel's military establishment has increased its influence. Thus, especially toward her adversaries, Israel's policies have become flavored by the military. In the wake of the Six Day War, however, Israel failed to demonstrate a capacity for diplomatic achievement equivalent to her capacity for military action.

While it may be too early to assess the long-range implications of the second interim agreement between Israel and Egypt, concluded on September 1, 1975, several developments are likely to improve the prospects for peace between the Arab states and Israel.

The civil war in Lebanon, which at first disrupted renewed peace efforts between the Arab states and Israel, has actually increased the chances for a second interim agreement between Israel and Syria. The PLO, notorious in its opposition to the very existence of Israel, has suffered severe losses in the wake of its adventure in Lebanon. Egypt has been slowly recovering from a loss of prestige.

The social and economic contacts that many Lebanese have developed with Israel could be the initial seeds of an Israeli-Lebanese reconciliation.

Regardless of the outcome of the Lebanese civil war, neither the PLO on its own nor the Syrians wish to provoke Israel into a new confrontation.

King Hussein of Jordan continues to operate with political flexibility; as long as King Hussein survives, Jordan will not go to war with Israel nor allow the PLO to return to Jordan in any strength.

The inherent contradiction between the national aspirations of Arabs and Israelis over the years stemmed from an ignorance of Arab needs on the part of the Israelis and from a lack of understanding of Israeli nationalism on the part of the Arabs. For Israel, and Jews in general, nationalism means survival itself in a hostile world. For the Arabs, nationalism means Arab unity, Islamic solidarity, economic development, and independence from Western colonialism. Israel, understandably, has always refused to compromise her right to exist as a nation; most of the Arabs, on the other hand, have been unable to reconcile their social, political and military misfortunes with the continued presence of Israel.

Twenty-eight years of Arab-Israeli confrontation have introduced psychological, social, economic, political and military changes in the region. A new equilibrium has been shaped, based not necessarily on military forces but rather on mutual needs and mutual vulnerability. This fragile balance offers an opportunity that the antagonists in the drama should not let pass by. ■

BOOK REVIEWS

(Continued from page 28)

Miscellany

THE EXECUTIVE, CONGRESS, AND FOREIGN POLICY: STUDIES OF THE NIXON ADMINISTRATION. BY JOHN LEHMAN. (New York: Praeger Publishers, 1976. 247 pages, bibliography and index, \$18.50.)

The struggle between the executive and the Congress over foreign and defense policy is a timely and important theme. In this scholarly, well-documented, and ably argued study, Lehman examines the historical, constitutional, and political dimensions of the problem, providing detailed case studies of the congressional response to the Cambodian affair in 1970, the renewal of the United States base rights agreement with Spain, and the overall issue of American commitments abroad.

A.Z.R.

POLITICAL LEADERSHIP IN KOREA. BY DAE-SOOK SUH AND CHAE-JIN LEE. (Seattle: University of Washington Press, 1976. 272 pages, appendix, notes and index, \$9.50.)

This is a well-documented history of the political leaders of both North and South Korea.

O.E.S. ■

THE MONTH IN REVIEW

A Current History chronology covering the most important events of November, 1976, to provide a day-by-day summary of world affairs.

INTERNATIONAL

African Crisis

- Nov. 2—In Geneva, Rhodesian Prime Minister Ian Smith and black nationalist leaders fail to agree on a date for Rhodesian independence under black rule.
- Nov. 5—In Salisbury, Prime Minister Smith says that even if the Geneva talks fail, he intends to abide by the agreement for majority rule worked out with U.S. Secretary of State Henry Kissinger.
- Nov. 23—The British government promises black nationalists that it will honor a March 1, 1978, independence date for Rhodesia.
- Nov. 26—In Geneva after almost a month of deadlock, black nationalist leaders Joshua Nkomo and Robert Mugabe agree to the British plan fixing March 1, 1978, as the date for Rhodesian independence. Black nationalist leaders Bishop Abel Muzorewa and the Reverend Ndabaningi Sithole have already agreed to an indefinite date.
- Nov. 29—In Geneva, the conference on the transfer of power in Rhodesia discusses the make-up of an interim government.

Convention on International Trade in Endangered Species of Wild Fauna and Flora

- Nov. 2—Members of 80 countries meet in Washington, D.C., to stimulate interest in a treaty on endangered species agreed on by member nations of the Convention on International Trade in Endangered Species of Wild Fauna and Flora; only 33 countries have ratified the treaty since June, 1975.

Council of Europe

- Nov. 13—The 19 countries in the Council of Europe adopt a convention to suppress terrorism; it calls for the automatic extradition of terrorists to the country where the crime was committed or a trial in the country of refuge. When 3 member nations ratify the convention, it will become effective.

Disarmament

(See also *Intl. Warsaw Pact*)

- Nov. 3—The U.S. State Department reveals that U.S. and Soviet representatives at the Strategic Arms Limitation Treaty (SALT) parley in Geneva

signed 2 unannounced minor agreements in recent weeks.

European Economic Community (EEC)

- Nov. 15—The foreign ministers of the 9 Common Market countries meeting in Brussels reject a February 16, 1976, proposal of Comecon countries for full-scale trade links between the 2 groups.

Middle East

- Nov. 4—Lebanese President Elias Sarkis appoints Colonel Ahmed al-Haji, a Muslim officer in the Lebanese army, commander of the Arab peacekeeping force in Lebanon.
- Nov. 9—Right-wing Lebanese Christian leaders Pierre Gemayel of the Phalangist party and Camille Chamoun of the National Liberal party agree to the stationing of peacekeeping forces in the Christian-dominated areas of Beirut and its suburbs.
- Nov. 15—Nearly 12,000 troops of the Syrian Army, part of the peacekeeping force, take control of Beirut without resistance.
- Nov. 16—In Beirut, President Sarkis orders the administration to begin to function as soon as possible.
- Nov. 21—The Syrian Army takes control of two cities along the Mediterranean, Tripoli and Saida, and the highways leading from Beirut to these cities.
- Nov. 25—It is announced in Damascus that Syria and Iraq have completed the withdrawal of troops from their common border. The troops were sent to the border area in June when Iraq objected to Syria's intervention in Lebanon.
- Nov. 27—In Beirut, the Palestine Liberation Organization (PLO) rejects Syrian demands that PLO members surrender their heavy weapons.

United Nations

(See also *Syria*)

- Nov. 9—10 resolutions condemning South Africa's apartheid policies are passed by the U.N. General Assembly; many Western nations abstain from voting.
- Nov. 11—The Security Council unanimously deplores the establishment of Israeli settlements in Israeli-occupied Arab territories.
- Nov. 12—By a 94-1 vote, the General Assembly approves a resolution calling for the withdrawal of Turkish troops now occupying part of Cyprus.

In its 18th veto in the Security Council, the U.S. blocks Vietnam from membership in the United Nations.

Nov. 22—Meeting in Nairobi, Kenya, members of the United Nations Educational, Scientific and Cultural Organization (UNESCO) restore Israel to full membership.

The Security Council votes to admit Angola; the U.S. abstains and China does not vote. The General Assembly will vote on Angola's membership shortly.

Nov. 29—Delegates at the UNESCO meeting in Nairobi agree to postpone for 2 years a vote on a Soviet-supported resolution on the dissemination of news.

Nov. 30—The Security Council votes to extend for 6 months the peacekeeping mandate of the U.N. Disengagement Observer Force on the Golan Heights.

The UNESCO conference ends.

Warsaw Pact

Nov. 25—The leaders of the 7 Warsaw Pact nations begin 2 days of meetings in Bucharest, Romania.

Nov. 26—The members of the Warsaw Pact propose the draft of a treaty that would prohibit the first use of nuclear weapons by either side in a conflict. The draft will be sent to nations that have signed the Helsinki agreement on European Security.

ALBANIA

Nov. 7—Enver Hoxha is reelected leader of the Albanian Communist party.

ALGERIA

Nov. 19—A referendum is held on a new constitution.

Nov. 20—Voters approve the constitution, which establishes a presidential term of 6 years instead of 5; there is no limitation on the number of terms a President may serve.

ANGOLA

(See also *Intl.*, U.N.)

Nov. 8—Refugees fleeing to Namibia report fighting between government forces and nationalist guerrillas representing the Union for the Total Independence of Angola.

Nov. 28—The Luanda radio announces the appointment of Paulo Teixeira as Foreign Minister; he replaces Jose Eduardo dos Santos, who becomes First Deputy Prime Minister.

ARGENTINA

Nov. 9—In La Plata, a provincial police headquarters is bombed; one policeman is killed and 10 are injured.

Nov. 10—Security forces report killing 16 leftist guerrillas who were suspected of bombing the police headquarters.

Nov. 16—In Arana, near La Plata, leftist guerrillas storm a police station; 10 guerrillas are killed, bringing the total number of guerrillas killed in the last 2 weeks to almost 100.

Nov. 18—Minister of the Economy José Martinez de Hoz eliminates the 10 percent export tax on wheat.

AUSTRALIA

Nov. 28—The government devalues the dollar by 17.5 percent, making it equal to U.S. \$1.0174.

BANGLADESH

Nov. 30—Major General Ziaur Rahman is named chief martial law administrator. 11 prominent politicians, including former President Khondakar Mushtaque Ahmen, are arrested. On November 23, the government postponed indefinitely the parliamentary elections scheduled for 1977.

BRAZIL

Nov. 15—Municipal elections for aldermen and mayors are held throughout the nation.

Nov. 18—In Rio de Janeiro, the National Conference of Bishops of the Roman Catholic Church issues a statement criticizing the government of President Ernesto Geisel for its violations of human rights.

Incomplete election returns show that the government party ARENA (the Alliance for National Renewal) has won the popular vote and has won in terms of municipalities; the opposition made some gains.

BURUNDI

Nov. 1—President Michel Micombero is deposed in a bloodless coup by the armed forces, who are led by Lieutenant Colonel Jean Bagaza.

Nov. 3—In a radio broadcast, Lieutenant Colonel Bagaza announces that he has taken over as President; he suspends the constitution.

CANADA

Nov. 15—Legislative elections are held in Quebec province.

Nov. 16—Election returns give the separatist party, Parti Québécois, 41 percent of the vote and 69 of the 110 seats in the legislature; the Liberal party wins 34 percent of the vote—28 seats, a loss of 74 seats; the National Union wins 18 percent of the vote—11 seats. René Lévesque, head of the Parti Québécois, will become the Prime Minister of the province.

Nov. 24—In an address over national radio and television, Prime Minister Pierre Elliott Trudeau calls for national unity.

Nov. 26—In response to questions in Parliament, Prime Minister Trudeau releases a 1973 government report that accused a government-owned chemical company of paying \$2 million in kickbacks to foreign companies.

CHILE

Nov. 16—The government announces its decision to release all but 20 political prisoners who are being held without charges under a state of siege declared September 30, 1976.

CHINA

Nov. 1—In Shanghai, wall posters say that Deputy Prime Minister for Economic Affairs Li Hsien-nien has been named Prime Minister and that Defense Minister Yeh Chien-ying is chairman of the National People's Congress.

Nov. 2—*Jenmin Jih Pao*, the Communist party newspaper, reports that Chiang Ching, Chairman Mao Tse-tung's widow, and 3 other leftists have been accused of interfering with the country's economic production.

Nov. 8—In Shanghai, wall posters say that the 4 arrested leftists planned to overthrow the Peking government by force in October, 1976.

Nov. 17—In western China, a nuclear explosion is detonated; it is the equivalent of 4 million tons of TNT.

Nov. 25—Fukien radio reports that army troops have been sent into Fukien province to establish control over the province.

EGYPT

Nov. 11—President Anwar Sadat announces a partial revival of the multiparty system that existed before the 1952 revolution.

Nov. 18—In Cairo, President Sadat, meeting with members of the U.S. Congress, calls for a settlement between Israel and the Arab countries.

ETHIOPIA

Nov. 2—It is reported from London that the government has executed 23 members of the Marxist-Leninist Ethiopian People's Revolutionary party and "other dissidents."

Nov. 18—In Addis Ababa, the military government says that it has executed 27 more dissidents.

FRANCE

Nov. 14—In a by-election, former Prime Minister Jacques Chirac wins a seat in the National Assembly.

GERMANY, DEMOCRATIC REPUBLIC OF (East)

Nov. 3—Prime Minister Willi Stoph names a 42-member Council of Ministers.

Nov. 16—The government revokes the citizenship of Wolf Biermann, an artist and well-known dissident, while he is in West Germany.

Nov. 29—A number of leading intellectuals are put under house arrest or publicly scolded because they formally protested the expulsion of Wolf Biermann.

GERMANY, FEDERAL REPUBLIC OF (West)

Nov. 19—The Christian Social Union of Bavaria, led by Franz Josef Strauss, votes to end its 27-year alliance with the Christian Democratic Union.

INDIA

Nov. 2—The lower house of Parliament votes 366 to 4 to amend the constitution to increase the powers of Prime Minister Indira Gandhi and Parliament and decrease the powers of the judiciary.

Nov. 5—The lower house of Parliament votes 180 to 34 to postpone the national elections scheduled for March, 1977, for another year.

Nov. 11—The upper house of Parliament votes 191 to 0 to amend the constitution.

IRAN

Nov. 16—In Teheran, it is announced that assassins who murdered 3 American civilians in Teheran in August, 1976, have been shot and killed by security police.

Nov. 18—In Teheran, British officials report an agreement to sell Iran approximately \$660-million worth of British-made anti-aircraft missiles.

IRAQ

(See *Intl, Middle East*)

ISRAEL

(See also *Intl, Middle East; Egypt*)

Nov. 27—In Geneva at the Socialist International Congress, Prime Minister Yitzhak Rabin calls for a new international conference on the Middle East.

Nov. 28—Rabin declares that no army except the Lebanese Army should be stationed in southern Lebanon; the presence of Syrian or Palestinian troops there is "intolerable."

JAPAN

Nov. 12—The government returns to the U.S.S.R. the MiG-25 supersonic fighter plane that a defecting Soviet pilot flew to northern Japan in September, 1976. The dismantled plane is shipped back on board a lumber ship.

JORDAN

Nov. 16—In Amman, 4 Palestinian guerrillas attempt to seize the Inter-Continental Hotel. Government

troops dispense the gunmen; 7 people are killed in the battle.

KOREA, REPUBLIC OF (South)

(See also *U.S., Political Scandal*)

- Nov. 29—In Washington, D.C., a Korean source reveals that the South Korean Central Intelligence Agency has reorganized its U.S. branch under the command of President Park Chung Hee's son-in-law and has recalled its station chief from the U.S.
- Nov. 30—Kim Sang Keun, a senior officer in the Korean Central Intelligence Agency, asks for political asylum in the U.S. He says that he will cooperate voluntarily with the U.S. federal inquiry into Korean lobbyists' bribery of members of the U.S. Congress.

LAOS

- Nov. 10—Based on interviews with escaped or released prisoners, *The New York Times* reports that thousands of anti-Communists are imprisoned in labor camps.

MEXICO

- Nov. 5—The U.S. State Department announces an agreement with the Mexican government to allow some 600 American citizens serving prison sentences in Mexico to be returned to the U.S. to serve their prison terms. Mexicans serving sentences in U.S. prisons will be transferred to Mexican jails if they wish.
- Nov. 16—The government receives an \$800-million loan from a consortium of international lending agencies. This is the largest commercial loan ever received by Mexico.
- Nov. 19—The government expropriates nearly 200,000 acres of farmland from landowning families. The land is distributed to peasants.
- Nov. 20—Following the transfer of nearly \$150-million from the country by private citizens and rumors of an imminent coup, the government suspends foreign exchange dealings indefinitely.

NEW ZEALAND

- Nov. 29—Following Australia's currency devaluation, the government devalues its currency 12.7 percent against the Australian dollar and 7 percent against the U.S. dollar and other currencies. In effect, the move will establish the currency at about 91 cents to the Australian dollar.

PAPUA NEW GUINEA

- Nov. 29—The government devalues its currency in the wake of similar action in Australia and New Zealand.

PORTUGAL

- Nov. 3—Agriculture Minister António Lopes Cardoso resigns.

Nov. 5—António Barreto is sworn in as Minister of Agriculture. He will keep his position as Minister of Commerce and Tourism.

RHODESIA

- Nov. 1—The administration claims that its forces pursued terrorists into Mozambique yesterday in retaliation for a black nationalist guerrilla operation in Rhodesia in which 4 white civilians were killed.
- Nov. 2—Administration spokesmen claim Rhodesian troops killed hundreds of black nationalists and destroyed 7 guerrilla camps in Mozambique in the last 2 days.
- Nov. 6—Presidents of neighboring black countries meet in Dar Es Salaam following Rhodesia's attacks in Mozambique. They ask socialist bloc countries to assist the black nations in an all-out guerrilla war against the Rhodesian government.
- Nov. 12—A government spokesman says that 800 black nationalist guerrillas are moving into Rhodesia from Mozambique.
- Nov. 16—A Mozambique spokesman charges that Rhodesian jets and helicopters have crossed the border and attacked a guerrilla training base.
- Nov. 24—The government acknowledges its use of aircraft to attack terrorists in Mozambique.

SOUTH AFRICA

- Nov. 1—In Johannesburg, a strike by black workers begins. Participation is reported to be minimal.

SPAIN

- Nov. 12—Nearly 500,000 industrial workers take part in a strike called by the national labor organization.
- Nov. 18—Parliament, most of whose members were appointed by the late Generalissimo Francisco Franco, votes 425 to 59 to hold general parliamentary elections in 1977.

SYRIA

(See also *Intl, Middle East*)

- Nov. 21—The government agrees to a 6-month extension of the U.N. observer force on the Golan Heights.

THAILAND

- Nov. 1—Most schools and universities that were closed in the wake of the military coup last month reopen.
- Nov. 20—The ruling military junta appoints 340 members to the National Assembly.
- Nov. 25—The military government repatriates 26 Cambodian refugees to Cambodia because they are considered to be a threat to national security. Provincial governors are ordered to return refugees "as soon as possible."

TURKEY

Nov. 24—An earthquake measuring 7.9 on the Richter scale shakes the eastern mountainous region; an estimated 4,000 people are killed.

U.S.S.R.

(See also *Intl, Disarmament*)

Nov. 18—The government revokes the visa of Marshall Brement, an American embassy official. It is believed that the action was taken in retaliation for a similar move on the part of the U.S. government in August, 1976, when it revoked the visa of Svyatoslav A. Stepanov, a U.N. mission counselor.

Nov. 30—At a dinner meeting of 150 American businessmen in Moscow, Soviet Communist Party Secretary Leonid Brezhnev urges U.S. President-elect Jimmy Carter to end the deadlock in the Soviet-American arms talks.

UNITED ARAB EMIRATES

Nov. 29—Agence France-Press reveals that the federal government has resigned 3 days before the provisional constitution expires.

UNITED KINGDOM

(See also *Iran*)

Great Britain

(See also *Intl, African Crisis*)

Nov. 4—In by-elections, the Labor party loses 2 of 3 "safe" parliamentary seats. The Labor party now has a majority of 1.

Nov. 22—In an unusual action, the House of Lords votes 197 to 90 to kill the government's bill to nationalize the aircraft and shipbuilding industries unless the bill is rewritten specifically to exempt certain profit-making repair companies.

The House of Commons votes for the original bill; as a result the bill dies and both houses adjourn.

Nov. 30—The government offers Parliament a bill that calls for greater autonomy for Scotland and Wales. Parliament will debate the proposals.

UNITED STATES

Administration

Nov. 4—President Gerald Ford names Acting Secretary of Agriculture John A. Knebel to replace Earl Butz as Secretary of Agriculture. Butz resigned on October 4.

President Ford appoints Presidential Counselor John O. Marsh, Jr., as his liaison with the staff of President-elect Jimmy Carter to work on the transition to the new administration.

Nov. 8—According to federal sources, Justice Department lawyers believe that their evidence against between 10 and 20 former and current officials of

the Federal Bureau of Investigation (FBI) is strong enough to warrant pressing criminal charges.

Nov. 15—President-elect Jimmy Carter names Joseph Lester (Jody) Powell, Jr., as his White House press secretary, to take office January 20, 1977.

Nov. 18—The Department of Health, Education and Welfare announces that 19,158,427 people were vaccinated against swine flu up to November 13, 1976.

Nov. 19—In a meeting in Plains, Georgia, Central Intelligence Agency (CIA) Director George Bush briefs President-elect Carter on CIA operations.

Nov. 20—President-elect Jimmy Carter and Secretary of State Henry Kissinger meet in a day-long briefing session in Plains, Georgia.

Nov. 22—At the White House, President Gerald Ford confers with President-elect Jimmy Carter on problems of an orderly transition to a new administration.

Nov. 23—President-elect Jimmy Carter meets with congressional leaders in Washington, D.C., and asks for their cooperation.

Civil Rights

Nov. 14—The congregation of President-elect Carter's Plains Baptist Church votes to drop its 11-year ban on attendance by blacks and to "open its doors to all who want to worship Jesus Christ."

Economy

Nov. 4—The Labor Department reports that wholesale prices in the nation rose 1 percent in October, 1976, the largest wholesale price rise since October, 1975.

Nov. 19—The Federal Reserve Board reduces its discount rate from 5.5 percent to 5.25 percent.

Foreign Policy

(See also *Intl, Disarmament*)

Nov. 3—Richard Helms, former CIA director, resigns as ambassador to Iran.

Nov. 11—In Moscow, the United States Information Agency opens an exhibition to celebrate the U.S. Bicentennial.

Nov. 15—Ambassador to India William B. Saxbe resigns his post, effective in early January.

Nov. 16—Administration officials say that the U.S. will approve an emergency \$300-million loan to Portugal; congressional approval will be sought.

Nov. 17—The White House announces the resignation of Ambassador to Yugoslavia Laurence K. Silberman, to take effect January 20, 1977.

Nov. 23—Palestine Liberation Organization (PLO) representative Sabri Elias Jiryis, who planned to open a PLO office in Washington, D.C., has been refused a visa extension by the State Department; he has been asked to leave the country by November 30, 1976.

Nov. 24—The White House announces the appointment of career diplomat Malcolm Toon as ambassador to the U.S.S.R.

Labor and Industry

Nov. 5—The United Automobile Workers and the Chrysler Corporation reach a tentative agreement on a 3-year contract and thus avert a strike by Chrysler's workers just 6 minutes before a strike deadline.

Nov. 19—After a 12-hour selective strike against 16 General Motors plants in 7 states, the United Auto Workers and General Motors reach tentative agreement on a 3-year contract.

Nov. 29—The U.S. Steel Corporation, the Bethlehem Steel Corporation and the Republic Steel Corporation announce that they are adopting the 6 percent price rise on sheet and strip steel declared on November 29 by six producers, to take effect December 1.

The Aluminum Company of America announces price rises of approximately 10.2 percent on sheet products used for carbonated beverage, beer and other containers, effective January 2.

Legislation

Nov. 16—Chief counsel of the House Committee on Assassinations Richard Sprague reports that he has learned that documents relating to the killing of Martin Luther King, Jr., in the custody of Tennessee state authorities have apparently been destroyed since the House Committee on Assassinations was established.

Military

Nov. 12—The Defense Department selects the Chrysler Corporation to build its new tank, the Abrams, in a program expected to cost \$4.9 billion.

Nov. 21—In a letter to Defense Secretary Donald Rumsfeld, the General Accounting Office (GAO) charges that a new 8-inch U.S. Navy gun scheduled for a \$700-million production program is inaccurate and at long range will run out of ammunition before hitting its target.

Political Scandal

(See also *Korea*)

Nov. 9—In a telephoned interview from Washington, D.C., former Defense Secretary Melvin Laird says that he warned the State Department about a covert South Korean attempt to influence U.S. policy.

Nov. 30—47 cardboard box manufacturers are sentenced for price fixing in violation of antitrust legislation; the president of the Container Corporation of America is fined \$35,000 and sentenced to 60 days in jail.

Politics

Nov. 2—More than 80 million voters, the largest number of voters in U.S. history, go to the polls.

Nov. 3—James Earl (Jimmy) Carter, Jr., is elected President of the U.S.; he will take office January 20, 1977. Carter wins 51 percent of the popular vote to 48 percent for incumbent President Gerald Ford. The electoral vote is 297 for Carter to 241 for Ford.

Democrats win 37 of the governorships and will control the Senate by a 3-2 margin and the House by a 2-1 margin. In the Senate, there will be 61 Democrats, 38 Republicans and 1 Independent; in the House, 292 Democrats and 143 Republicans.

Nov. 23—Ohio Republicans request a recount of the Ohio election results; in Ohio Jimmy Carter defeated President Gerald Ford by 9,333 votes.

Suits to block certification of the election results are filed in New York and Pennsylvania.

Supreme Court

Nov. 2—With a 4-4 deadlocked vote (Justice John Stevens not participating), the Supreme Court fails to reach a decision on an appeal from a decision of the U.S. Court of Appeals for the Sixth Circuit. The deadlock in the Supreme Court in effect affirms the action of the lower court, which held that the Parker Seal Company of Berea, Kentucky, violated the Civil Rights Act of 1964 by discharging an employee who refused to work on a Saturday on religious grounds.

Nov. 8—Without dissent, the Court refuses to issue a stay of an order by a U.S. district court in Brooklyn that ruled unconstitutional a federal statute barring use of federal funds for an abortion unless the abortion is necessary to save the life of the mother.

Nov. 29—The Court agrees to hear former President Richard Nixon's challenge to the constitutionality of the 1974 statute that assigned control of his presidential papers and tapes to the government. In January, 1976, a 3-judge federal court in Washington, D.C., ruled that the statute in question was constitutional.

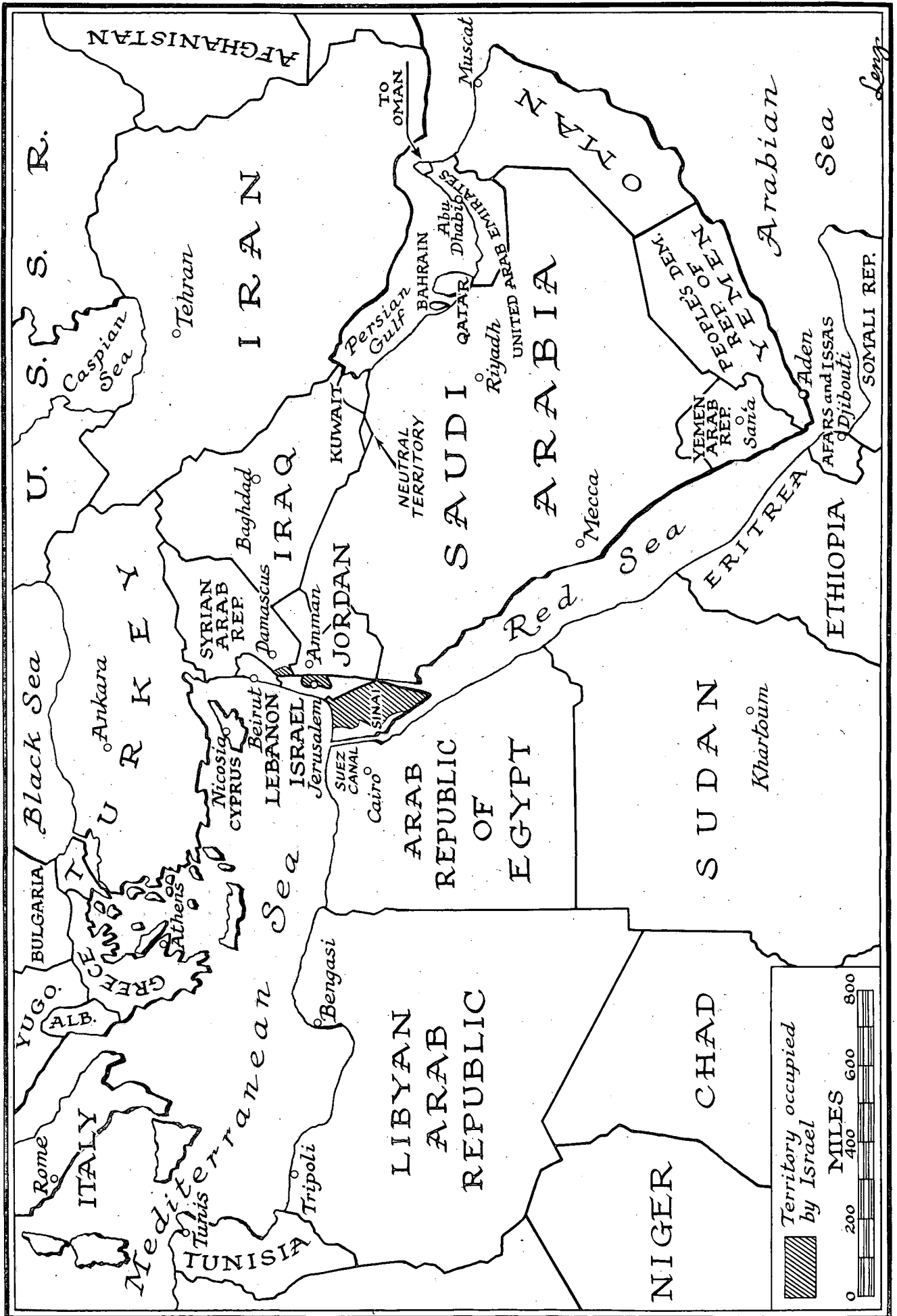
VIETNAM

(See also *Intl, U.N.*)

Nov. 1—In Paris, Deputy Foreign Minister Nguyen Co Thach and Foreign Minister for European affairs Mai Van Bo meet with French officials.

YUGOSLAVIA

Nov. 25—Celebrations herald the promulgation of the "Law on Associated Labor," which gives the workers a more equitable share of the wealth and more decision-making responsibilities. ■



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